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REPORT ON CONTRIBUTIONS BY MEMBER STATES AND OTHERS TO UNFPA AND REVENUE PROJECTIONS FOR 2011 AND FUTURE YEARS

Summary

The present report is prepared in response to Executive Board decisions 99/5 and 2000/9, which requested the Executive Director to provide annually updated estimates of regular and co-financing resources. In line with the UNFPA strategic plan, 2008–2013, the purpose of the present report is to promote dialogue between UNFPA and its Executive Board on the Fund's overall resource situation while continuing to address the important goal of increasing regular resources and achieving a stable, predictable and diversified resource base.

In 2010, UNFPA income for regular and co-financing resources was $866.5 million. The breakdown of this total income is $507.7 million in regular resources and $358.8 million in co-financing resources (inclusive of interest and other income). All 2010 financial data used in the present report are provisional and all 2011 data are estimates.

In line with the recommendations of General Assembly resolutions 62/208 and 64/289, UNFPA is steadfast in its belief that a stable base of regular resources is critical to enable UNFPA to support countries in implementing the Programme of Action of the International Conference on Population and Development and achieving the Millennium Development Goals. Furthermore, as underscored in resolutions 62/208 and 64/289, UNFPA recognizes that non-core (co-financing) resources represent an important supplement to the Fund's regular resource base.

The Executive Board may wish to adopt a decision on funding commitments to UNFPA. Elements for a decision are provided in the final section of the present report.

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I. INTRODUCTION

1. The present report is prepared in response to Executive Board decisions 99/5 and 2000/9, which requested the Executive Director to provide annually updated estimates of regular and co-financing resources. In line with the UNFPA strategic plan, 2008-2013,[1] the purpose of the present report is to promote dialogue between UNFPA and its Executive Board on the overall resource situation of the Fund, while continuing to address the important goal of increasing regular resources and achieving a stable, predictable and diversified resource base.

2. United Nations General Assembly resolutions 62/208 and 64/289 stress, inter alia, that regular resources are the bedrock of the operational activities for development of the United Nations system. The resolutions also urge countries in a position to do so to substantially increase their voluntary contributions and, if possible, to contribute in the form of multi-year commitments in order to improve the predictability of resources. The resolutions recognize that non-core resources represent an important supplement to regular resources and also recognize the establishment of a number of multi-donor funding mechanisms. Such a trend is also becoming apparent in UNFPA. Meanwhile, UNFPA continues to advocate for the increase of its regular resources, which are the foundation of the Fund's operations, supplemented by various modalities of co-financing funding.

3. As the global financial crisis continues, UNFPA will face challenges in its programme operations in the areas of population and development, reproductive health and rights, and gender equality, as well as regarding the organization's management support capacity. Some donors have already indicated their intentions to scale back their contributions substantially. Based on the most current projection, there will likely be a decline in regular contributions for 2011. Fortunately, some donors have indicated that they will maintain the same level or slightly increase the level of their contributions to regular resources.

4. The evolving economic crisis has direct implications for the attainment of the goals of the International Conference on Population and Development (ICPD) and the Millennium Development Goals (MDGs), as well as for UNFPA-supported programmes. Development needs remain significant. To accelerate the progress in achieving MDG 5 to improve maternal health, including universal access to reproductive health, adequate, consistent and predictable financial resources are needed now more than ever. The slow progress in achieving this goal underscores the need for increased political commitment and greater investments in health systems, in particular reproductive health services. At the same time, UNFPA will need to further prioritize its programme guided by the midterm review of the strategic plan, 2008-2013.

5. The income scenario for the next two years (2012-2013), i.e., the remaining period of the strategic plan, is at present uncertain. Five multi-year agreements for the duration of 2008-2011 for regular resources from five major donors, constituting about 40 per cent of UNFPA projected income for 2011, will end. The predictability of resources is essential to ensuring the sustainability of UNFPA programming, and UNFPA calls on its donors to make financial contributions in the form of multi-year commitments, when legislative and budgetary provisions allow.

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[1] Through its decision 2009/16, the Executive Board extended the UNFPA strategic plan, 2008-2011, to 2013, including the integrated financial resources framework and the UNFPA global and regional programme.

6. The present report contains tables on UNFPA regular and co-financing contributions. Additional data are provided in the annexes. The donor income figures are inclusive of exchange rate gains and losses. The data projected for 2011 in this report are based on information received and commitments and contributions recorded as of 1 March 2011. All 2010 financial data used in this report are provisional and all 2011 data are estimates.

II. REGULAR AND CO-FINANCING RESOURCES

A. Income overview of regular resources

Table 1: UNFPA income, 2007-2010, as of 31 December 2010 and 2011 projected contributions as of 1 March 2011 (in millions of $)

	2007	2008	2009	2010	2011
Regular	457.1	469.5	486.4	507.7	444.2
Co-financing	258.2	331.2	275.6	358.8	270.0
Total	715.3	800.7	762.0	866.5	714.2

Note: The data for 2007 to 2010 include contributions, interest and other income. The data for 2011 include only projected contributions and do not include interest and other income. Also, the 2011 co-financing income figure is an estimate as per the strategic plan, and the actual co-financing income is expected to be higher.

7. In table 1, for donors that submitted multi-year commitments in 2010, all revenue has been recognized in 2010 in accordance with the contribution revenue policy, effective 2010. The 2010 data are provisional. Under the new accounting policy, in line with the International Public Sector Accounting Standards, contribution revenue for commitments for future years received from donors in 2010 in the total amount of $14.6 million for regular resources and $16.7 million for co-financing resources was recognized in 2010.

8. In 2010, UNFPA income for regular and co-financing resources was $866.5 million (table 1). The breakdown of this total income is $507.7 million in regular resources and $358.8 million in co-financing resources. The regular resources income of $507.7 million includes $491.2 million in voluntary contributions, $10.1 million in interest income, and other income of $6.4 million. Compared with 2009, the increase in income for regular resources in 2010 was $21.3 million, or 4.4 per cent. Out of the $491.2 million in contributions, a total of $14.6 million in commitments for future years was recognized as revenue in 2010.

9. The co-financing income of $358.8 million in 2010 includes $357.2 million in contributions, $1.5 million in interest income and $0.1 million in other income. The increase in income for co-financing in 2010 from the 2009 level of $275.6 million was $83.2 million, or 30.2 per cent. Out of the $357.2 million in contributions, a total of $16.7 million for co-financing resources for future years was recognized as revenue in 2010.

10. In accordance with the integrated financial resources framework of the current UNFPA strategic plan, the regular and co-financing resource requirements (for the original period of 2008-2011) amount to $2.6 billion for four years. The annual contributions targets in the strategic plan have proved to be

conservative, and UNFPA has consistently surpassed them. The 2010 strategic plan targets of $450.0 million for regular contributions and $225.0 million for co-financing contributions were surpassed respectively by $41.2 million (9.2 per cent) for regular contributions, which totalled $491.2 million; and by $132.2 million (58.8 per cent) for co-financing contributions, which totalled $357.2 million as of 31 December 2010. Revenue was recognized in 2010 based on the new accounting policy as explained above in paragraph 7. For the period 2012-2013, the projected income is $460.0 million per annum for regular resources and $270.0 million per annum for co-financing resources as of 1 March 2011.

11. UNFPA regular contributions in 2009 and 2010 were $469.4 million and $491.2 million, respectively, indicating an increase of $21.8 million, i.e., 4.6 per cent in 2010. This was due to a number of increases in regular contributions from major donors (which offset reductions by other donors). According to recent data, reductions of regular contributions for 2011 from the 2010 level have been announced by four of the top donors of the Fund.

12. As of 1 March 2011, the projected regular contribution revenue from donor countries for 2011 is $444.2 million, indicating a decrease of $47.0 million from the 2010 level of $491.2 million, using the March United Nations exchange rate. UNFPA will continue to advocate for the increase in contributions with members of the Organisation for Economic Co-operation and Development (OECD)/Development Assistance Committee (DAC), and non-DAC members, including programme countries. In mobilizing resources for its programmes, UNFPA will also continue to reach out to the private sector and foundations.

13. The income overview in table 1 is supplemented by annex 1, which provides detailed information on UNFPA 2010 provisional income as of 31 December 2010, actual commitments and the best estimates of contributions to UNFPA regular resources, and a list of donors for the year 2011, as of 1 March 2011. These contribution commitments include the following: (a) commitments for 2011 only and multi-year commitments for 2011 and future years; (b) commitments for 2011 received during the United Nations pledging conference held on 8 November 2010 in New York; and (c) letters received and verbal indications from governments confirming support to UNFPA for the period 2011 and onwards.

14. The total number of multi-year commitments received in 2010 was 46. Out of the 150 donor governments, eight countries belonging to OECD/DAC and 33 programme countries increased their contributions in national currency terms (for those contributions received in national currency) and US dollar terms (for those contributions received in US dollars). As of 1 March 2011, 60 official commitments for 2011 had been received, of which 29 were multi-year commitments. These are listed in annex 2.

15. In 2010, the Netherlands, Sweden, Norway, United States of America, Denmark, Finland, United Kingdom of Great Britain and Northern Ireland, Japan, Spain and Germany were the Fund's 10 largest donors in US dollar terms to regular resources. Donors that have increased their contributions are listed in table 2.

Table 2: Increases in contributions of major donors to UNFPA regular resources (2009-2010) as of 31 December 2010 (in millions)

Major Donors	Pledging Currency	2009	2010	Increases in %
Australia	AUD	6.0	8.0	33.3
Austria	EUR	1.2	1.3	8.3
Belgium	EUR	4.5	5.0	11.1
Canada	CAD	14.9	17.4	16.8
China	USD	1.0	1.1	10.0
Finland	EUR	21.0	25.0	19.0
Italy	EUR	0.5	1.0	100.0
Spain	EUR	14.0	16.0	14.3
United States of America	USD	46.1	51.4	11.5

16. Further details on contributions from the Fund's top 10 donors to regular resources for the past five years are provided in annex 3.

17. Projections for 2011 regular contributions income include indications from the following major donors that have increased or will increase their respective contributions in 2011: Australia, Finland and Sweden. A number of major donors had submitted multi-year commitments that will end in 2011: Belgium, Ireland, Netherlands, Norway and the United Kingdom. Of particular concern is the current volatility of the exchange rates, which may result in a decrease in the US dollar equivalent for contributions which have not yet been received. Table 3 lists the increases in national currency terms in 2011 compared to the 2010 contribution level.

Table 3: Projected increases in local currency contributions of major donors to UNFPA regular resources (2010-2011) as of 1 March 2011 (in millions)

Major Donors	Pledging Currency	2010	2011	Increases in %
Australia	AUD	8.0	10.5	31.3
Finland	EUR	25.0	28.5	14.0
Sweden	SEK	423.5	445.5	5.2

B. Overview of co-financing contributions

18. Over the last decade, the co-financing contributions to UNFPA-supported thematic funds, projects and programmes have increased steadily in absolute terms. In the last few years, the proportion of co-financing contributions of total (regular and co-financing contributions) income has remained healthy: 41 per cent in 2008, 37 per cent in 2009 and 42 per cent in 2010. The total for co-financing contributions in 2010 was $357.2 million. This represents an increase of 32.3 per cent over the $270.0 million received in 2009 (see also table 4). Notable increases in co-financing contributions in 2010 from the 2009 level occurred in joint funding mechanisms (17.9 per cent), and the thematic fund for reproductive health

commodity security (31.4 per cent). In the future, UNFPA foresees additional co-financing contributions from donor governments that will play a critically important role in supporting global initiatives and inter-agency partnerships advancing maternal health.

Table 4: Contributions to UNFPA co-financing resources (2009-2010)
as of 1 March 2011 (in millions of $)

Donors	2009	Donors	2010
United Nations inter-organizational transfers*	65.9	United Nations inter-organizational transfers*	93.0
Netherlands	54.0	United Kingdom	69.6
Spain**	29.6	Netherlands	46.0
United Kingdom	23.7	Spain**	24.6
Sweden	9.6	Sweden	15.8
Australia	9.4	Norway	15.8
European Commission	8.9	UNAIDS	14.4
Norway	8.9	United States	10.6
Luxembourg	7.0	Australia	10.4
Others	53.0	Others	57.0
Total***	270.0	Total***	357.2

*Includes joint funding mechanisms – Office for the Coordination of Humanitarian Affairs, including Central Emergency Response Fund (CERF): $10.7 million; joint programmes that follow United Nations Development Group (UNDG) guidelines: $26.3 million; United Nations Human Security Trust Fund: $1.7 million; regular joint programmes: $31.3 million; and bilateral transfers from United Nations entities: $22.9 million.

**Includes contribution from the Autonomous Community of Catalonia.

***With the inclusion of interest and other income, the total for 2009 is $275.6 million and for 2010 it is $358.8 million.

Co-financing contributions from United Nations inter-organizational transfers

19. Out of the total co-financing contribution of $357.2 million in 2010 (table 4), a total of $93.0 million was received as United Nations inter-organizational transfers compared with $65.9 million in 2009. The breakdown is as follows: UNFPA received co-financing contributions from United Nations joint funding mechanisms in 2010 in the amount of $70.0 million compared to $65.6 million in 2009. This $70.0 million includes $26.3 million from multi-donor trust funds governed by UNDP rules; $10.7 million from the United Nations Central Emergency Response Fund (CERF); $1.7 million from the United Nations Human Security Trust Fund established by Japan; and $31.3 million for participation in joint programmes. Out of the $31.3 million for participation in joint programmes, $21.4 million was received through United Nations entities and $9.9 million directly from donors when UNFPA was selected as the joint programmes administrative agent.[2] A total of $22.9 million was contributed by United Nations entities. Out of this total amount, $14.2 million was received from UNAIDS; $5.9 million from UNDP; $0.36 million from WHO; and $2.4 million from other United Nations agencies. Joint funding mechanisms are increasing in importance due to the proactive involvement of UNFPA in inter-agency coordination and collaboration in the context of the enhanced United Nations reform process. UNFPA foresees further growth of this type of funding due to the Fund's increased participation in inter-agency partnerships and initiatives.

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[2] See also annex 5 regarding donor contributions received by UNFPA in joint programmes where UNFPA is the administrative agent.

Co-financing contributions from programme country governments

20. Co-financing from programme country governments in support of their own country programmes continued to form a solid part of the total income. In 2010, $15.0 million was received compared with $19.5 million in 2009, a decrease of $4.5 million (23.1 per cent). The 2010 contributions were from Botswana, Brazil, Cameroon, Colombia, Côte d'Ivoire, Dominican Republic, Equatorial Guinea, Gabon, Georgia, Jamaica, Lebanon, Madagascar, Mexico, Morocco, Panama, Qatar, Sao Tome and Principe, Syrian Arab Republic and Uruguay. In 2009, the five largest contributions were received from Colombia ($5.6 million), Mexico ($5.3 million), Syrian Arab Republic ($1.8 million), Guatemala ($1.4 million) and Nigeria ($1.2 million). Details on the contributions are presented in annex 4 of this report. Although the preferred funding modality is regular resources, UNFPA calls on governments to increase their co-financing contributions as well.

European Commission

21. In 2010, co-financing contributions from the European Commission totalled $14.8 million, including contributions from the European Community Humanitarian Office (ECHO).

22. In 2010, new European Commission contribution agreements were initiated in support of the AccessRH project, a food facility project in Niger, the Women Deliver Conference, the population census in Bangladesh, a demographic and health survey in Zimbabwe and strengthened linkages between sexual and reproductive health (SRH) and HIV/AIDS programming in Southern Africa. In addition, an agreement was signed with ECHO for support to a joint UNFPA/UNHCR/UNICEF project to strengthen sub-cluster capacity to address gender-based violence in humanitarian contexts.

C. Thematic funding

23. Thematic funds are pooled donor funds aimed at supporting the achievement of results in the framework of the UNFPA strategic plan, 2008-2013. They support the approved programmes in the focus areas of the Fund's work in priority countries with special needs and reinforce a coherent approach to align with national plans and budgets. The predictability of resources in the thematic funds creates a unique opportunity to focus and scale up programming to help meet unmet needs. Thus far, UNFPA has established three thematic funds for: (a) reproductive health commodity security (RHCS); (b) maternal health; and (c) obstetric fistula. Out of the total co-financing contribution of $357.2 million in 2010, funding in the amount of $112.8 million was received for the three thematic funds.

24. Since 2009, to increase the effectiveness and efficiency of support to countries and to reduce administrative and transaction costs at all levels – country, regional and global – UNFPA has devoted considerable efforts to programmatically integrate the three thematic funds, while maintaining separate resource mobilization streams. An interdivisional group worked towards an integrated country selection and support process across the thematic funds and ensured coordinated criteria for resource allocation. While being aligned with the extended duration of the strategic plan to 2013, the thematic funds allow for continuous adaptation to changing funding opportunities.

Thematic fund for reproductive health commodity security

25. Since 2007, the Global Programme to Enhance Reproductive Health Commodity Security has been supporting countries to carry out the diverse and multifaceted work needed to improve procurement

and logistics systems and prevent stock-outs of contraceptives and essential drugs and medicines for maternal health. To help countries plan for their own needs and deliver results in the sphere of RHCS, UNFPA developed the Global Programme with substantive inputs from various key partners, including bilateral donors and others within the reproductive health supplies coalition. The approach was specifically designed to replace the intermittent funding cycles of the past (ad hoc responses to avert stock-outs) with a sustainable and integrated approach that improves people's lives down to the community level.

26. With its predictable, flexible, multi-year funding, the Global Programme is catalysing national action and facilitating the mainstreaming of reproductive health commodity security into national health systems, budgets and plans. The programme adheres to the principles of the Paris Declaration on Aid Effectiveness with national authorities defining and driving the strategies to improve RHCS. The efforts focus on ensuring the consistent and reliable supply of reproductive health commodities and on enhancing national systems and capacity to forecast, procure and distribute needed supplies.

27. The success of the Global Programme is measured at point of use by beneficiaries. For this reason, and highlighting the strong link to the availability of contraceptives in particular, the outcome indicators against which progress is monitored include contraceptive prevalence rate and unmet need for family planning. Overall, the programme is producing some impressive results in the 45 target countries, particularly in the so-called "stream one" countries with an important, multifaceted investment. To give an example from only one county, it is estimated that in Niger the contraceptive prevalence rate has risen from 11.7 per cent in 2006 to 16.5 per cent in 2009, to 21 per cent in 2010, according to a national sample survey.

28. To finance this important work, UNFPA has mobilized significant resources: to date, more than $300 million has been committed. These funds have come from a number of partners, including the Governments of France, Luxembourg, Netherlands, Spain and the United Kingdom in 2010.

29. The Global Programme is making an important contribution to national efforts to help meet the international community's commitment to ensure universal access to reproductive health care by 2015 and to contribute to the achievement of the health-related MDGs 4, 5, and 6. However, even with the generous support from the partners mentioned, the needs in this area, particularly in relation to the increasing SRH needs of adolescents and youth, continue to outstrip the funds available.

30. Co-financing contributions for the Global Programme amounted to $72.5 million in 2009 and $95.3 million in 2010, an increase of $22.8 million as shown in table 5.

Table 5: Co-financing contributions received for the thematic fund for reproductive health commodity security (2009-2010) as of 31 December 2010 (in millions of $)

Donors	2009	Donors	2010
Netherlands	45.8	United Kingdom	54.4
United Kingdom	16.7	Netherlands	39.8
Spain*	7.4	Luxembourg	0.5
Canada	2.0	Spain*	0.4
Luxembourg	0.6	France	0.2
		Private	0.001
	72.5		95.3

*Includes contribution from the Autonomous Community of Catalonia.

Maternal health thematic fund

31. The maternal health thematic fund (MHTF), which became operational in January 2008, aims at scaling up UNFPA and development partners support to achieve MDG 5 on improving maternal health. In particular, MDG 5 is lagging behind, and with the target year 2015 rapidly approaching, the work to reduce maternal mortality by 75 per cent needs to be accelerated by all partners and programme countries. For UNFPA this is the key priority.

32. At the country level, the MHTF contributes to the large joint effort by the United Nations Secretary-General's Global Strategy for Women's and Children's Health and the Health 4+ (H4+) (UNFPA, UNICEF, WHO, the World Bank and UNAIDS) to accelerate progress towards MDGs 4, 5 and 6. Since 2008, the MHTF has scaled up support to 30 priority countries for maternal health, including for midwifery; and to 42 countries for the Campaign to End Fistula.

33. Working with key partners, UNFPA conducted joint H4+ technical assistance missions in priority countries such as Afghanistan; Democratic Republic of the Congo and Ethiopia; undertook 14 emergency obstetric and newborn care needs assessments in collaboration with UNICEF and Columbia University's Averting Maternal Death and Disability Program; and, in partnership with the International Confederation of Midwives, scaled up midwifery education and training, associations and regulations in 22 countries. In 2010, the MHTF improved reporting, monitoring and evaluation in countries with support to mobile-health projects for tracking maternal deaths and stock-outs of commodities (Madagascar, Mali), promotion of surveillance and real-time reporting of maternal deaths using the national health information system.

34. A midterm evaluation of the MHTF was launched in 2010 which will inform the future strategy and highlight the contribution of the MHTF in scaling up the UNFPA commitment to reducing maternal mortality and morbidity, in close collaboration with other agencies and national partners.

35. Co-financing contributions received for the MHTF amounted to $14.4 million in 2009 and $14.3 million in 2010 (see table 6).

Table 6: Co-financing contributions received for the maternal health thematic fund, 2009-2010 as of 31 December 2010 (in millions of $)

Donors	2009		2010
Spain*	6.9	Sweden	7.3
Sweden	3.2	Norway	2.5
Netherlands	2.4	Netherlands	2.4
Luxembourg	1.4	Luxembourg	1.5
Austria	0.5	Austria	0.5
Private	0.002	Private	0.1
	14.4		14.3

*Includes contribution from the Autonomous Community of Catalonia.

Thematic fund for obstetric fistula

36. Over the years, the Campaign to End Fistula has grown significantly in coverage, from 12 countries to 42 countries in sub-Saharan Africa, Asia and the Arab States regions. More than 6,000 fistula repair surgeries have been conducted to date. After a midterm evaluation in 2009, UNFPA developed a new three-year vision with a focus on national programming and sustainability (national task force for fistula), gradual programmatic shift away from familiar fistula camps/campaigns to ongoing holistic fistula services integrated into hospitals, prevention of new fistula in subsequent pregnancies of repaired cases, and appropriate care for inoperable/incurable cases. To improve the knowledge base, UNFPA, in partnership with the Johns Hopkins University Bloomberg School of Public Health, has embarked on a landmark fistula study to examine post-operative prognosis, improvement in the quality of life, social reintegration and the rehabilitation of fistula patients after surgical repair in treatment centres in six countries: Bangladesh, Benin, Ethiopia, Niger, Nigeria and the United Republic of Tanzania. Also, UNFPA is the secretariat of the campaign and supported the International Obstetric Fistula Working Group during the Women Deliver Conference in 2010 and the third conference of the International Society of Obstetric Fistula Surgeons in Dakar, Senegal. Finally, UNFPA supported the roll-out of an indicator compendium, in partnership with the Centers for Disease Control in the United States, as well as a competency-based training manual for fistula surgeons in collaboration with the International Federation of Gynecology and Obstetrics.

37. Since 2009, the operations of the fistula fund have been aligned with the maternal health thematic fund to reduce transaction costs and increase sustainability. Fistula programming is fully integrated into the MHTF activities, while leaving the option open to donors for separate funding for the Campaign to End Fistula. In 2010, the Campaign to End Fistula received approximately $3.2 million in direct contributions from a number of partners listed in table 7. This amount of $3.2 million is a decrease of $3.9 million, i.e., 55 per cent, compared with $7.1 million in co-financing contributions for obstetric fistula received in 2009.

38. UNFPA seeks to expand the donor base in line with the new vision and mandate of the campaign in support of national plans and systems for sustainable quality services for fistula prevention, treatment and social rehabilitation.

Table 7: Co-financing contributions received for the Campaign to End Fistula (2009-2010) as of 31 December 2010 (in millions of $)

Donors	2009	Donors	2010
Spain*	3.5	Luxembourg	0.7
Norway	1.7	Spain*	0.7
Luxembourg	0.8	Virgin Unite	0.6
Republic of Korea	0.5	Americans for UNFPA -	
Iceland	0.2	Johnson & Johnson	0.3
Americans for UNFPA	0.1	Norway	0.3
New Zealand	0.1	Americans for UNFPA	0.2
Zonta International	0.1	Canada	0.2
Poland	0.1	Iceland	0.1
Women's Missionary		Zonta International	0.1
Society	0.025	Private (on-line donation)	0.009
Private Contributions	0.003	Individuals	0.002
	7.1		3.2

*Includes contribution from the Autonomous Community of Catalonia.

D. Contributions to UNFPA for emergency preparedness and humanitarian response

39. In 2010, co-financing resources continued to represent a crucial support to UNFPA efforts to meet its objective to integrate the ICPD Programme of Action into emergency preparedness, humanitarian response, and transition and recovery programmes. In 2010, 88 countries and territories benefited from the co-financing contributions from 19 donors (governments, private sector and United Nations entities). The total amount of co-financing funds that UNFPA received for humanitarian response was approximately $46.5 million, compared with $37.4 million in 2009.

40. Since its inception in 2006, the United Nations Central Emergency Response Fund has become an important humanitarian funding tool for UNFPA. Funding from CERF has evolved as follows: $1.7 million in 2006; $8.5 million in 2007; $9.3 million in 2008; $8.5 million in 2009; and $10.7 million in 2010.

41. The 2010 contribution in the amount of $10.7 million enabled UNFPA to respond to the needs of 39 countries. Through CERF contributions UNFPA supported, inter alia, the implementation of emergency health interventions for internally displaced populations and refugees, the provision of reproductive health services and commodities, including reproductive health kits for safe deliveries and the management of obstetric complications, and gender-based violence prevention and response. Eighty-six per cent of the funding has gone to health, 10 per cent to protection and 4 per cent to integrated health and protection. The Africa region remains the largest recipient of CERF funding to UNFPA. UNFPA co-leads with UNICEF in the gender-based violence area of responsibility, one of the pillars of the Protection Cluster, and the underfunding of protection in humanitarian situations is a cause for concern.

42. While country programmes received substantial co-financing resources, the institutional core humanitarian response capacity was also strengthened by the financing of projects ranging from the

global advocacy for sexual and reproductive health programmes in crisis situations, gender equity and the prevention of gender-based violence, to the scaling up of HIV/AIDS interventions in emergency settings. UNFPA contributions to global capacity-building included the development of training manuals on reproductive health in humanitarian settings and related training activities, as well as the Fund's work as co-lead on gender-based violence in the Protection Cluster. In addition to funding from CERF, major donors that contributed to the UNFPA emergency preparedness and humanitarian response included Australia, Belgium, ECHO, Norway and the United States.

E. Contributions from the private sector

43. The total amount of co-financing contributions received from the private sector during 2010 was $6.5 million compared with $3.5 million in 2009. Of the 2010 amount, $3.5 million was from foundations, $1.4 million from corporations, $1.0 million from non-governmental organizations/academia, $0.5 million through Americans for UNFPA and $0.02 million from individuals. Although significant growth has been realized year after year, contributions from the private sector continue to represent a very small portion of UNFPA total co-financing contributions (less than 2 per cent of 2010 co-financing contributions).

44. UNFPA is preparing strategic options to consider an expansion of its engagement with the private sector. Historical data and current trends underscore that, although contributions from the private sector are smaller than traditional contributions, transaction costs tend to be much higher. As a part of the midterm review of the UNFPA strategic plan, a full cost/benefit analysis will be conducted to determine the resources that would be required and the potential return from this segment of donors. Foundations also remain a large unrealized source of potential funding, and strategies will be evaluated to better leverage this donor segment.

45. In 2010, at the recommendation of its Executive Committee, UNFPA continued to explore steps to further expand engagement with the private sector, which resulted in a recommendation to form an interdivisional working group. The aim is to streamline global- and country-level outreach to corporate partners to ensure effective coordination; share knowledge and best practice on partnerships among UNFPA country, subregional and regional offices and units at headquarters; and to provide guidance and policy advice in the development of private-sector partnerships.

46. Concrete steps will be taken in 2011 to revise and strengthen the existing due diligence process of UNFPA, including contracting an external firm to screen proposed private-sector partnerships for any reputation risk to UNFPA. The Fund's Resource Mobilization Branch will continue to help build the capacity of the country, regional and subregional offices to engage new private-sector partners and donors by conducting training at UNFPA regional meetings and presenting webinars on this theme to inform staff of UNFPA policies and procedures for working with the private sector. Web-based training will also be held to help build private-sector fund-raising skills at the country level, targeting offices in both middle- and low-income countries, and business and foundation donors.

47. UNFPA will continue to expand its engagement with the office of the United Nations Global Compact to keep informed of trends and policies in the United Nations system's overall practices concerning the private sector. Increased participation and visibility with Global Compact initiatives also serve to attract global-level private-sector partnerships. Finally, in 2011, the Resource Mobilization Branch will lead a process to refine the UNFPA pro bono policy to include hybrid financing models to better govern media and programmatic partnerships as UNFPA continues to expand its relationships with the private sector beyond fund-raising.

III. CONCLUSION

48. In line with the recommendations of General Assembly resolutions 62/208 and 64/289, UNFPA steadfast in its belief that a stable base of regular resources is critical to enable UNFPA to supp countries in implementing the ICPD Programme of Action and achieving the MDGs. Regular resour are also essential for maintaining the universality, neutrality and multilateralism that characterize UNF efforts to carry out its mandate as a trusted and valued partner leveraging impact far beyond the mod resources it is able to provide. UNFPA regular resources increased from $486.4 million in 2009 to $50 million in 2010.

49. Co-financing contributions increased from $270.0 million in 2009 to $357.2 million in 2010. stated in General Assembly resolution 62/208, the growth of extra-budgetary funding and of the numb of associated projects carries a risk of increased transaction costs. UNFPA is mindful of this and seeks maintain an even balance between regular and co-financing resources. The proportion of co-financi contributions of total regular and co-financing contributions income remained between 30 to 35 per c until 2007, grew to 41 per cent in 2008, then went down to 37 per cent in 2009 and increased to 42 cent in 2010. In 2010, out of the total $357.2 million in co-financing contributions, the contributions thematic funds totalled $112.8 million (31.6 per cent).

50. UNFPA values its close collaboration with the Executive Board and all Member States a appreciates their commitment, continued cooperation and unwavering support. It is in this spirit t UNFPA appeals to the Fund's donor family to support the multi-year funding format as urged in Gene Assembly resolution 62/208, and as supported in Executive Board decisions 2003/19, 2004/24, 2005/ 2006/12, 2007/13, 2008/10 and 2009/17. Such support is critical in ensuring predictable and sustainal funding to enable UNFPA to plan and deliver its multi-year programmes in support of countries. It notable that 54 countries submitted multi-year pledges in 2009, including six major donors.

51. In view of the current global financial constraints, UNFPA appeals to the Executive Board and members of the donor family of the Fund to maintain their financial support to UNFPA. A predictal cash flow is important for the effective and efficient management of UNFPA operations. It is in t context that UNFPA encourages all Governments, particularly the major donors, regarding the tim submission of their contribution commitments and payment schedules.

52. UNFPA recognizes the importance of widening its political support and financial base. The Fu is strengthening its strategic partnerships with middle-income countries and engaging with non-traditio emerging donors. It is also essential that all programme countries continue to make a volunta contribution to UNFPA and further increase co-financing contributions. Economic growth, together w increasing political support for the ICPD agenda, presents significant opportunities to UNFPA to expa partnerships and resource mobilization in these countries.

IV. ELEMENTS FOR A DECISION

53. The Executive Board may wish to:

(a) *Take* note of the report on contributions by Member States and others to UNF and revenue projections for 2011 and future years (DP/FPA/2011/4);

(b) ***Commend*** **the efforts being made by UNFPA to mobilize additional resources and other forms of support, including from the private sector;**

(c) ***Emphasize*** **that regular resources are the bedrock of UNFPA and essential to maintaining the multilateral, neutral and universal nature of its work, and** ***encourage*** **UNFPA to further mobilize these resources while also continuing to mobilize supplementary resources for its thematic funds and programmes;**

(d) ***Encourage*** **all Member States to increase their core contributions and also** ***encourage*** **countries that are in a position to do so to make contributions by the first half of the year and to make multi-year pledges in order to ensure effective programming;**

(e) ***Encourage*** **all programme country governments to expand contributions to programmes in their own countries;**

(f) ***Encourage*** **all Member States to increase support for Millennium Development Goals 4, 5 and 6 in order to accelerate results and enable the attainment of the targets by 2015;**

(g) ***Emphasize*** **that UNFPA needs strong political and increased financial support as well as predictable core funding in order to enhance its assistance to countries to fully integrate the agenda of the International Conference on Population and Development into national development strategies and frameworks and achieve the internationally agreed development goals.**

Annex 1: UNFPA contributions to regular resources for 2009, 2010 (provisional) and estimates for 2011 (by major donors and geographical regions) as of 1 March 2011

	2009 1/		2010 1/		2011 1/		Remarks re commitments for future
	Contributions		Contributions		Contributions/Estimates		years received in 2010
Countries/Territories	Local Currency	US$ Equiv.	Local Currency	US$ Equiv.	Local Currency	US$ Equiv.	
Major Donors							
Australia	6,000,000	4,709,576	8,000,000	7,311,852	10,500,000	10,388,205	
Austria	1,250,000	1,656,555	1,300,000	1,826,639	600,000	824,176	
Belgium	4,500,000	6,184,871	5,000,000	6,399,477	4,500,000	6,181,319	
Canada	14,850,000	11,861,022	17,350,000	17,059,980	17,350,000	17,686,035	
China		950,000		1,050,000		1,050,000	
Denmark	230,000,000	39,498,540	205,000,000	37,124,230	205,000,000	37,794,985	
Finland	21,000,000	27,851,459	25,000,000	33,738,192	28,500,000	39,148,352	
France	2,200,000	2,813,299	1,700,000	2,294,197	1,360,000	1,868,132	
Germany	18,000,000	25,340,848	14,800,000	19,496,937	14,200,000	19,505,495	
Ireland	3,000,000	4,219,409	3,000,000	3,663,004	3,000,000	4,120,879	
Italy	500,000	697,350	1,000,000	1,400,560	300,000	412,088	
Japan		30,065,759		25,438,946		25,438,946	
Luxembourg	2,650,000	3,477,690	2,650,000	3,576,248	2,650,000	3,640,110	
Netherlands (the)	62,538,000	80,880,874	54,538,000	73,600,540	41,538,000	57,057,692	
New Zealand	6,000,000	3,459,000	6,000,000	4,423,800		4,573,775	
Norway	332,000,000	48,046,310	332,000,000	54,133,377	332,000,000	57,113,367	
Spain	14,000,000	20,710,059	16,000,000	21,419,009	14,000,000	19,239,769	
Sweden	450,000,000	59,016,006	423,500,000	60,564,947	445,500,000	65,017,513	
Switzerland	14,000,000	12,477,718	28,000,000	29,184,156			Revenue for 2010 and 2011 recognized in 2010. 2/
United Kingdom of Great Britain and Northern Ireland (the)	22,060,000	34,510,377	20,000,000	30,227,803	20,000,000	32,102,729	
United States of America (the)		46,100,000		51,400,000		40,000,000	
Subtotal		**464,526,724**		**485,335,894**		**443,163,567**	
Africa							
Angola							
Benin		4,000		4,000		4,000	
Botswana				15,678			Revenue for 2010-2013 recognized in 2010.
Burkina Faso		40,372	4,000,000	8,799	4,000,000	8,066	
Burundi		783		781			
Cameroon	20,000,000	45,125	20,000,000	43,997			
Cape Verde		1,181					
Central African Repuplic (the)		2,500					
Chad		35,000					
Comoros (the)		1,500		2,068			Revenue for 2010-2013 recognized in 2010
Congo (the)	24,000,000	53,941	24,000,000	61,314	25,000,000	52,352	
Côte d'Ivoire		15,000		10,000		10,000	
Equatorial Guinea		41,029		41,029		41,029	
Eritrea		2,000		2,000		2,000	
Ethiopia	30,000	2,390					
Gabon	50,000,000	106,432	5,000,000	11,480			
Gambia (the)		9,473		44,199			Revenue for 2010 -2013 recognized in 2010.
Ghana		12,500		12,500		12,500	
Guinea		1,000		17,425			Revenue for 2010 -2012 recognized in 2010.
Guinea-Bissau		1,000		1,000		1,000	
Kenya		10,000		10,000			
Lesotho	20,900	2,216	22,900	3,053			
Liberia		10,000		10,000		10,000	
Madagascar				2,500			
Malawi		1,000					
Mali	3,000,000	6,543	3,000,000	6,600	3,000,000	6,282	
Mauritania	1,000,000	4,143	3,000,000	3,827	1,000,000	3,457	
Mauritius		2,961		3,226			
Mozambique		2,000					
Namibia		1,000		1,000			
Niger (the)		10,000		5,000		10,000	
Nigeria		31,167		31,167		31,167	
Rwanda				2,500			Revenue for 2010 -2013 recognized in 2010.
Sao Tome and Principe		10,643	175,000,000	8,926			
Senegal	9,000,000	19,629					
Seychelles		2,000					
Sierra Leone	30,000,000	8,000	30,000,000	8,000	30,000,000	7,177	
South Africa	180,000	22,756	190,000	25,467			
Swaziland		16,658		10,000		10,000	
Togo	3,000,000	6,543					

	2009 1/		2010 1/		2011 1/		Remarks re commitments for future
	Contributions		Contributions		Contributions/Estimates		years received in 2010
Countries/Territories	Local Currency	US$ Equiv.	Local Currency	US$ Equiv.	Local Currency	US$ Equiv.	
Uganda	-	19,746		50,000			Revenue for 2010 -2014 recognized in 2010.
United Republic of Tanzania (the)	6,000,000	5,385	6,000,000	4,038			
Zambia		4,000		4,000			
Zimbabwe	30,000,000	-	30,000,000	-			
Subtotal		571,636		466,574		209,830	
Asia and the Pacific							
Afghanistan				100		500	
Bangladesh		28,008		25,000		25,000	
Bhutan		6,055		5,950			
Cambodia		6,084		4,164		1,000	
Cook Islands (the)	1,500	1,913		1,145		1,145	
Fiji	5,000	2,632	5,000	2,632	8,000	4,372	
India	23,857,400	497,029		495,962		500,000	
Indonesia		72,234		72,715		35,000	
Iran (Islamic Republic of)		50,000					
Kiribati		705				195	
Lao People's Democratic Republic (the)		1,500		500			
Malaysia		215,000		230,000			
Maldives				5,000		5,000	
Marshall Islands (the)		100		3,100			Revenue for 2010-2011 recognized in 2010.
Micronesia (Federated States of)		1,000		3,000			Revenue for 2010-2012 recognized in 2010.
Mongolia		4,000		4,000		4,000	
Myanmar	200,000	198		235	200,000	222	
Nepal			400,000	5,435			
Niue	1,102	565					
Pakistan	40,000,000	491,280		549,031			
Palau				500			
Papua New Guinea	10,000	4,082	10,000	3,891	10,000	4,016	
Philippines (the)	2,700,000	53,895	3,000,000	55,093			
Republic of Korea (the)		100,000		85,565		100,000	
Samoa		3,000		3,000		3,000	
Singapore		5,000		5,000		5,000	
Solomon Islands		1,000		1,000		1,000	
Sri Lanka		18,000		18,000			
Thailand		96,000		96,000		96,000	
Timor-Leste				3,050			
Tonga		100		200		100	
Tuvalu		3,000		3,000		3,000	
Vanuatu	100,000	892		5,243			Revenue for 2010 -2014 recognized in 2010.
Viet Nam		4,256		4,256			
Subtotal		1,667,998		1,891,767		788,550	
Eastern Europe and Central Asia							
Albania							
Armenia		1,500		1,500			
Azerbaijan	3,000	3,733		5,000			
Bosnia and Herzegovina		2,000					
Bulgaria		2,500					
Croatia		24,000		25,000			
Cyprus		7,698		5,240			
Estonia	44,728	57,938	25,584	73,324			Revenue for 2010-2011 recognized in 2010.
Georgia		2,500		2,500			
Hungary		30,000		40,000			
Kazakhstan		350,000		50,000			
Kyrgyzstan		1,313					
Montenegro				300			
Republic of Moldova		200					
Romania	30,912	10,443	33,869	10,651			
Russian Federation (the)		300,000		300,000			
Serbia		1,000		-			
Slovakia			10,000	14,430			
Slovenia		21,688		43,011			
Tajikistan		200	900	205			
the former Yugoslav Republic of Macedonia		2,500		2,500		2,500	
Turkey		150,000		150,000			
Ukraine		1,000		1,000			
Uzbekistan		701		662		1,211	
Subtotal		970,914		725,333		3,711	

Countries/Territories	2009 1/ Contributions		2010 1/ Contributions		2011 1/ Contributions/Estimates		Remarks re commitments for future years received in 2010
	Local Currency	US$ Equiv.	Local Currency	US$ Equiv.	Local Currency	US$ Equiv.	
Western Europe and other States							
Andorra		29,099		30,589			
Greece		8,000		10,000			
Iceland		200,000		100,000			
Israel		10,000		20,000			
Liechtenstein	25,000	24,062		23,789			
Malta		1,000					
Monaco				20,035		20,035	
Portugal		200,000	250,000	360,750			
Subtotal		472,161		565,163		20,035	
Latin America and the Caribbean							
Antigua and Barbuda		1,000		1,000			
Argentina		500		2,000		2,500	
Bahamas (the)		1,000		1,000		1,000	
Barbados		5,000		5,000			
Belize	5,000	2,500		2,500			
Bolivia (Plurinational State of)		100		94			
Brazil		20,000		50,000			
Chile		5,000		5,000			
Colombia		30,000		50,000			
Costa Rica		5,747		5,529			
Cuba		5,000		5,000			
Dominica		463		926			
Dominican Republic (the)		30,000		30,000			
Ecuador		2,000		2,000			
El Salvador		1,000		-			
Grenada		100		100			
Guatemala		5,000		5,000			
Guyana		500		500		500	
Haiti		10,000		10,000			
Honduras	64,000	3,386		3,388			
Jamaica		1,000		1,000			
Mexico	1,310,300	99,718	1,015,872	79,241			
Nicaragua		4,000		2,000			
Panama		10,000		10,000			
Paraguay		500		1,068			
Saint Kitts and Nevis		1,500					
Saint Vincent and the Grenadines		200					
Suriname		2,000		2,000			
Trinidad and Tobago		5,000		5,000			
Uruguay		5,000		3,000		5,000	
Venezuela (Bolivarian Republic of)		10,000					
Subtotal		287,214		282,346		9,000	
Arab States							
Algeria		10,000		10,000			
Djibouti						3,000	
Egypt	620,000	114,962	650,000	118,397			
Iraq		50,000					
Jordan		50,000	35,450	50,071			
Kuwait		10,000		10,000		10,000	
Lebanon		2,000					
Morocco		10,000		10,000			
Occupied Palestinian Territory				1,000			
Oman				40,000			Revenue for 2010 -2013 recognized in 2010.
Qatar		30,000		30,000			
Saudi Arabia		500,000		500,000			
Sudan (the)		28,940					
Syrian Arab Republic		11,005		11,341			
Tunisia		18,518		18,518			
United Arab Emirates (the)						10,000	
Yemen		23,000		25,000		3,000	
Subtotal		858,425		824,327		26,000	

Countries/Territories	2009 1/ Contributions		2010 1/ Contributions		2011 1/ Contributions/Estimates		Remarks re commitments for future years received in 2010
	Local Currency	US$ Equiv.	Local Currency	US$ Equiv.	Local Currency	US$ Equiv.	
Adjustment prior years exchange rates		842		(52,483)			
Total Countries/Territories Pledges and Contributions		**469,335,424**		**489,837,911**		**444,219,893**	
Private Contributions		100,676		95,900 102,381			
Subtotal				**198,281**			
Government Local Office Costs and Other				1,150,538			
Total Contributions - NET		**469,436,100**		**491,186,730**			
Interest Income Other Income		10,650,791 6,345,480		10,126,374 6,397,684			
Total		**16,996,271**		**16,524,058**			
GRAND TOTAL		**486,432,371**		**507,710,788**		**444,219,893**	

1/ Data for 2009, 2010 and 2011 are inclusive of the gains and losses incurred on foreign exchange. Data for 2011 are still subject to changes.

2/ Switzerland: Revenue for multi-year commitment for 2010: CHF14 million and 2011: CHF14 million was recognized in 2010.

Annex 2: Donors that submitted multi-year pledges to UNFPA regular resources by year, 2009 to 2011
(as of 1 March 2011)

Geographical Region	2009	2010	2011
Africa	Benin Burkina Faso Cameroon Congo (the) Côte d'Ivoire Equatorial Guinea Eritrea Gabon Ghana Lesotho Liberia Mali Mauritania Niger (the) Nigeria Sierra Leone South Africa Swaziland Zambia Zimbabwe	Benin Botswana Comoros Equatorial Guinea Eritrea Gambia Ghana Guinea Liberia Mali Mauritania Niger (the) Nigeria Rwanda Sierra Leone Swaziland Uganda Zambia Zimbabwe	Benin Comoros Côte d'Ivoire Democratic Republic of Congo (the) Equatorial Guinea Eritrea Gambia Ghana Guinea Guinea-Bissau Liberia Mali Niger (the) Nigeria Rwanda Sierra Leone Swaziland Uganda
Total	20	19	18
Arab States	Egypt Saudi Arabia Syrian Arab Republic Yemen	Oman Syrian Arab Republic Yemen	
Total	4	3	
Asia and the Pacific	Fiji Malaysia Marshall Islands Mongolia New Zealand Philippines (the) Solomon Islands Sri Lanka Tonga Tuvalu	Australia Cook Islands (the) Fiji Marshall Islands Micronesia (Federated States of) Papua New Guinea Tonga Tuvalu Vanuatu	Australia Cook Islands (the) Fiji Maldives Marshall Islands Micronesia (Federated States of) Papua New Guinea Tonga Vanuatu
Total	10	9	9
Eastern Europe and Central Asia	Kazakhstan the former Yugoslav Republic of Macedonia Ukraine	the former Yugoslav Republic of Macedonia Ukraine	
Total	3	2	

Geographical Region	2009	2010	2011
Latin America and the Caribbean	Antigua and Barbuda Argentina Barbados Belize Bolivia (Plurinational State of) Ecuador Grenada Guatemala Guyana Haiti Suriname Uruguay	Antigua and Barbuda Argentina Bahamas Guyana Trinidad and Tobago Uruguay	Argentina Bahamas
Total	12	6	2
Western Europe	Belgium Ireland Netherlands (the) Norway United Kingdom of Great Britain and Northern Ireland (the)	Belgium Estonia Ireland Netherlands (the) Norway Switzerland United Kingdom of Great Britain and Northern Ireland (the)	
Total	5	7	
Total number of donors that contributed in the multi-year funding format	54	46	29

Annex 3: Top 10 major donors to UNFPA regular resources for the period 2006 to 2010

(in millions of $)

Year	Ranking 1	2	3	4	5	6	7	8	9	10
2006	Netherlands (the) $75.2	Sweden $55.2	Norway $40.6	United Kingdom of Great Britain and Northern Ireland (the) $37.7	Japan $33.4	Denmark $31.0	Germany $19.5	Finland $17.2	Canada $12.7	Switzerland $10.0
2007	Netherlands (the) $80.0	Sweden $60.7	Norway $58.7	United Kingdom of Great Britain and Northern Ireland (the) $40.3	Japan $33.3	Denmark $32.6	Germany $25.3	Finland $20.6	Spain $13.9	Canada $12.8
2008	Netherlands (the) $75.7	Sweden $60.9	Denmark $48.0	Norway $47.6	United Kingdom of Great Britain and Northern Ireland (the) $30.7	Japan $29.7	Germany $26.7	Finland $24.2	Spain $18.1	Canada $14.6
2009	Netherlands (the) $80.9	Sweden $58.0	Norway $48.0	United States of America $46.1	Denmark $39.5	United Kingdom of Great Britain and Northern Ireland (the) $34.5	Japan $30.1	Finland $27.9	Germany $25.3	Spain $20.7
2010	Netherlands (the) $73.6	Sweden $60.6	Norway $54.1	United States of America $51.4	Denmark $37.1	Finland $33.7	United Kingdom of Great Britain and Northern Ireland (the) $30.2	Japan $25.4	Spain $21.4	Germany $19.5

Annex 4: Co-financing contributions from programme countries in support for their own country programmes ($)

	Programme Countries	up to 2005	2006	2007	2008	2009	2010*	Total**
1	Algeria	308,309	152,905					461,214
2	Bahrain			60,000				60,000
3	Belize					48,997		48,997
4	Bolivia (Plurinational State of)	10,000						10,000
5	Botswana	239,252	112,994	98,522	96,308	81,081	89,153	717,311
6	Brazil	2,226,195	743,300	316,081	868,846	369,061	763,187	5,286,670
7	Cameroon		992,423		920,870		696,607	2,609,900
8	Central African Republic (the)			89,989				89,989
9	Chile	43,736	5,462					49,198
10	Colombia	2,281,245	1,095,523	1,119,349	2,727,963	5,554,575	5,087,956	17,866,611
11	Côte d'Ivoire				2,345,152		1,563,435	3,908,587
12	Dominican Republic (the)		133,234		177,114	340,064	376,286	1,026,698
13	Egypt	2,237,411	13,112	17,921	17,953			2,286,397
14	Equatorial Guinea	95,832		146,993		68,731	502,015	813,570
15	Gabon	164,527			106,691	161,070	103,316	535,604
16	Georgia		166,108	220,899	356,508	547,875	632,550	1,923,940
17	Guatemala	22,641,734	440,751	421,219		1,398,576		24,902,279
18	Jamaica				210,323	288,999	153,226	652,548
19	Kazakhstan		28,900					28,900
20	Lebanon	3,306,440	274,574	445,440	258,207	280,794	43,440	4,608,896
21	Liberia		30,000					30,000
22	Madagascar						112,420	112,420
23	Malaysia	600,000	200,000					800,000
24	Mexico	4,351,669	1,069,595	502,266	1,477,403	5,282,693	839,704	13,523,331
25	Morocco	1,231,654	1,344,751	95,465	1,110,341	945,595	649,722	5,377,527
26	Nigeria	746,422	513,798	407,235	851,142	1,189,288		3,707,886
27	Oman	473,059						473,059
28	Panama			148,721	209,910	65,000	401,471	825,102
29	Paraguay	298,462	255,276	552,518				1,106,257
30	Peru	38,220,390	14,351,121	8,146,134	4,418,758			65,136,404
31	Qatar		30,000				178,634	208,634
32	Romania				117,130			117,130
33	Saint Lucia				17,981			17,981
34	Sao Tome and Principe	53,870	6,530	37,209		32,733	5,769	136,111
35	Saudi Arabia	200,000						200,000
36	Sierra Leone				7,344,000			7,344,000
37	South Africa	64,612						64,612
38	Suriname	316,921						316,921
39	Syrian Arab Republic	3,244,830	982,308	922,483	1,933,939	1,848,254	1,179,498	10,111,311
40	Timor-Leste	23,000						23,000
41	Tunisia	316,257	38,168					354,424
42	Turks and Caicos	3,462						3,462
43	Ukraine			482,693				482,693
44	Uruguay		548,024		715,096	1,006,419	1,659,392	3,928,931
45	Venezuela (Bolivarian Republic of)	3,544	2,016,319					2,019,862
46	Yemen	732,357						732,357
Total		84,435,190	25,545,176	14,231,139	26,281,637	19,509,805	15,037,782	185,040,727

* Note: 2010 data are provisional.

** Totals may not add up due to rounding.

Annex 5: Donor contributions to joint programmes where UNFPA is the administrative agent*

Donor	Cash Received ($)	
Canada	$	2,236,971
European Union	$	4,068,361
Italy	$	1,360,544
Luxembourg	$	439,805
Norway	$	7,548,407
Sweden	$	1,441,875
UNIFEM**	$	661,525
Total	$	**17,757,488**

*Out of the $17.8 million received for joint programmes where UNFPA is the administrative agent on behalf of other participating United Nations organizations, only $9.9 million is recognized as contribution income to UNFPA.

** As of 1 January 2011, the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) became operational. The composite entity consolidated UNIFEM, INSTRAW, DAW and OSAGI.

United Nations **DP/FPA/2011/5**

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UNFPA – Internal audit and oversight

UNITED NATIONS POPULATION FUND

REPORT OF THE DIRECTOR OF THE DIVISION FOR OVERSIGHT SERVICES ON UNFPA INTERNAL AUDIT AND OVERSIGHT ACTIVITIES IN 2010

Summary

The present report on UNFPA internal audit and oversight activities in 2010 responds to decision 2010/22 and earlier decisions of the Executive Board. In accordance with decision 2010/22, paragraph 20, the report is entitled Report of the Director of the Division for Oversight Services on UNFPA internal audit and oversight activities in 2010. The report seeks to inform the Board of the key risks that could impact the work of the Fund in a development environment marked by change and challenges. Compared to past reports, the present report focuses on recommendations to be considered by the Executive Board.

As requested by the Executive Board in decision 2008/37, the annual report of the UNFPA Audit Advisory Committee and the management response thereto are provided as annexes to the present report on internal audit and oversight. In addition, a separate comprehensive management response is made available on the UNFPA website.

Elements of a decision

The Executive Board may wish to adopt a decision taking into account the recommendations contained in the present report.

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List of Acronyms

AAC	Audit Advisory Committee
Atlas	PeopleSoft™ software
AWP	Annual workplan
BOA	United Nations Board of Auditors
BSB	Biennial support budget
CARDS	Comprehensive audit and recommendation database system
COE	Certificate of expenditure
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DOCO	United Nations Development Operations Coordination Office
DOS	Division for Oversight Services (UNFPA)
ERM	Enterprise risk management
ERP	Enterprise resource planning
FACE	Funding Authorization and Certificate of Expenditures form
HACT	Harmonized approach to cash transfers to implementing partners
HLCM	United Nations High-level Committee on Management
ICF	Internal control framework
ICT	Information and communications technology
IIA	Institute of Internal Auditors
INTOSAI	International Organization of Supreme Audit Institutions
IPSASs	International Public Sector Accounting Standards
IT	Information technology
M&E	Monitoring and evaluation
MIS	Management Information Services
NEX	National execution
OFA	Operating fund account
OSCE	Organization for Security and Cooperation in Europe
PAD	Performance appraisal and development
RBM	Results-based management
RIAS	Representatives of the Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions
UNEG	United Nations Evaluation Group
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNSAS	United Nations System Accounting Standards
UNDAF	United Nations Development Assistance Framework
UNCT	United Nations country team

I. Introduction

1. This report is presented at a time when UNFPA has new leadership and is addressing as a top organizational priority the issues raised by the United Nations Board of Auditors (BOA) in their report (A/65/5/Add.7) which was issued with a qualification on the financial statements for the biennium 2008-2009 and an emphasis of matter. As noted in the Report of the Board of Auditors (A/65/5 Add.7), both the qualification and the emphasis of matter relate to issues that had been reported in previous years to the Executive Board by the Division for Oversight Services (DOS). In 2010, the management of UNFPA mobilized all levels of the organization to address the deficiencies identified by the auditors. These efforts will require time before showing results as can be expected in a complex organization such as UNFPA. It is not surprising that there is not much change between 2009 and 2010 in risk exposure and recurrence of audit issues. The root causes of these issues are structural and systemic, and thus unlikely to be corrected by ad hoc and contingent measures. The management transition provides an excellent opportunity to integrate the existing initiatives into other strategic efforts that would help UNFPA to consolidate its reputation.

2. The Division for Oversight Services supports management in taking advantage of this unique opportunity and contributes actively in the improvement of the operations of UNFPA. Compared to past reports the present report is unusual as it focuses on recommendations to be considered by the Executive Board. Following the introduction, the report describes in section II the systematic and objective approach used by DOS to evaluate and improve the effectiveness of management processes; in section III, the report provides an overall assessment of the risk exposure of UNFPA. In section IV, the report provides a detailed review of recommendations and their status. Section V discusses the way forward and focuses on evidence-informed recommendations to support the Executive Board in providing guidance to the Executive Director in accordance with General Assembly resolution 48/162.

II. Evidence: source, reliability, methodology

A. Oversight activities in 2010

3. The Division for Oversight Services completed 16 oversight engagements in 2010. The details of the engagements and the activities of the three branches of the Division (Internal Audit, Evaluation and Investigation) are provided in annex 1.

B. Resources

Human resources

4. An analysis of the 2010 staffing situation in DOS shows significant improvement in filling the vacancies in the management positions, as well as in the professional staff positions in the Internal Audit Branch and the Investigation Branch. The recruitment process for the posts of the Chief of the Internal Audit Branch and the Information Technology Audit Specialist was completed in 2010.

5. For the Evaluation Branch, 2010 has been marked by an important staff turnover with the departure of three staff members, including the Chief of the Branch. The new Chief assumed his responsibilities in September 2010, followed by the Evaluation Analyst (P2) in December 2010 and the Evaluation Adviser (P5) in mid-January 2011. Two new staff members, an Evaluation Adviser (P5) and an Evaluation Specialist (P4) are scheduled to join the Branch in mid-2011. Table 1 below summarizes the authorized DOS professional vacancies and the vacancy time as of January 2011.

Table 1

2010 Human resources in the Division for Oversight Services

	Number of professional posts	Person-months	Person-months vacant	Percentage vacant
Director	1	12	0	0
Deputy Director	1	12	0	0
Internal Audit Branch	8	96	6	6
Evaluation Branch	4	48	40	83
Investigation Branch	3	24	0	0
Total for DOS	17	192	46	24

Financial resources

6. The Division for Oversight Services receives funding from two sources: (a) the UNFPA biennial support budget (BSB); and (b) UNFPA programme resources (global and regional programme). In 2010, the DOS budget amounted to $5,152,884 of which $3,952,884 (77 per cent) was from BSB funds and $1,200,000 (23 per cent) from the UNFPA global and regional programme resources. There was a 13 per cent increase in overall budget funding for the oversight function compared to 2009 ($4,541,317).

7. Resource constraints and a heavy case load have meant that there has been negligible investment in the promotion of fraud prevention and detection activities. The continuous increase in case load calls for an additional staff position in the Investigation Branch.

C. Compliance with the oversight policy – Disclosure of internal audit reports

8. As of 31 December 2010, no request for disclosure of internal audit reports had been received and, thus, no internal audit report had been disclosed.

D. Reliability of the Division for Oversight Services

9. The reliability of the Division for Oversight Services is the result of measures taken to guarantee its objectivity and independence. It is mandatory for all staff to declare any conflict of interest and to file a financial disclosure annually. The quality of the work of

the Division is regularly monitored by the United Nations Board of Auditors, the UNFPA Audit Advisory Committee (AAC), and all auditors are invited to pass the certification by the Institute of Internal Auditors (IIA). In addition to this systematic approach, the Division for Oversight Services commissioned a full external review by the IIA in accordance with the International Standards for the Professional Practice of Internal Auditing. The IIA team's overall opinion was that the internal audit activity is in conformity with the standards and definition of internal auditing. DOS is one of the very few internal audit units in the United Nations system to have successfully completed an external quality assessment by the IIA.

10. The IIA report included three recommendations for improvements in DOS, which are as follows:

- Expand the quality assessment improvement programme.
- Improve the corporate and information technology audit universes for risk assessment purposes.
- Improve relations with senior executives and managers.

DOS is taking action to implement all these recommendations in 2011.

E. Methodology

11. In accordance with the International Standards for the Professional Practice of Internal Auditing, the assurance process performed by the Division for Oversight Services is risk-based. Two factors determine the audit plan that is approved by the Executive Director after review by the Audit Advisory Committee: the risk exposure of business units and the time elapsed since the last audit. The risk assessment is conducted at all levels of operations in UNFPA. The risk classification adopted by UNFPA has been extensively described in earlier reports to the Executive Board (DP/FPA/2006/4, DP/FPA/2007/14 and DP/FPA/2010/20). In accordance with Executive Board decision 2010/22, paragraph 15, the risk model that generates the analysis provided in the following section was revised to provide trends from a 2007 benchmark and was extended for providing a risk assessment of headquarters and cross-cutting functions. The availability of data for the period 2007-2010 has enabled the Division for Oversight Services to validate the country office risk model. In 60 per cent of the cases, the risk model results coincide with the country office audit ratings.

III. UNFPA risk exposure and trends

A. Key global risks

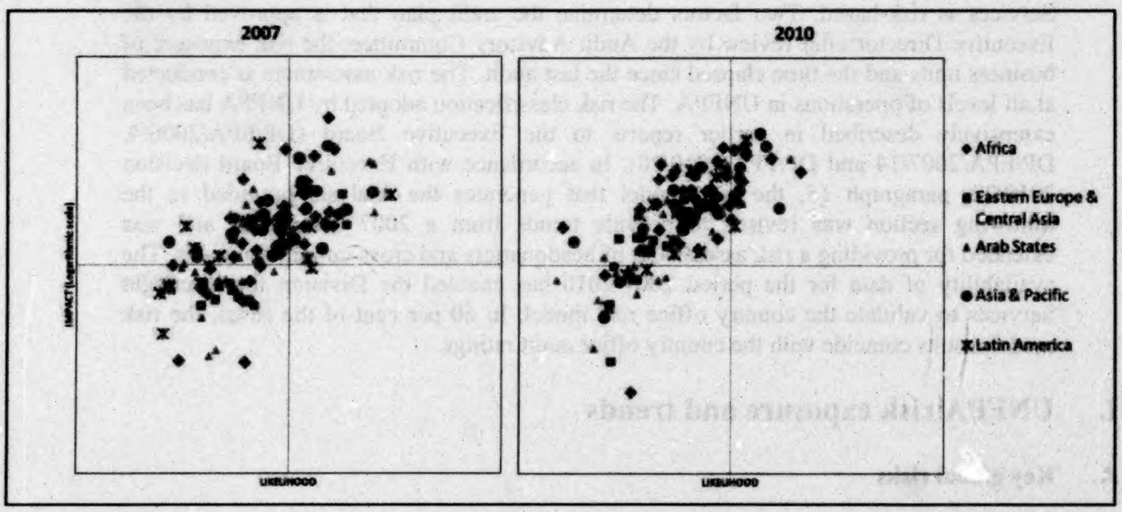
12. There are significant global risks. These include managing, inter alia: (a) a highly decentralized operation with over 130 country, subregional and regional offices; (b) a high vacancy rate for key management and operational positions in country offices and a high staff rotation and reassignment rate; (c) multiple financing mechanisms (global and regional programme; thematic and other trust funds; and different co-financing modalities); (d) a high volume (over 1,435 at the end of 2010) of implementing partners

with varying degrees of capabilities; (e) a high volume of annual workplans (2,310 in 2010) developed and managed without the support of integrated systems and tools; (f) a results framework with multiple planning and reporting tools; (g) a high volume of indicators; and (h) a high number of significant ongoing initiatives, such as regionalization, International Public Sector Accounting Standards (IPSASs) implementation, the development of the enterprise risk management (ERM) and internal control frameworks (ICF), and the implementation and/or upgrade of several systems. The 11 significant oversight issues identified in DP/FPA/2009/5 and DP/FPA/2010/20 remain relevant.

B. Country offices risk assessment

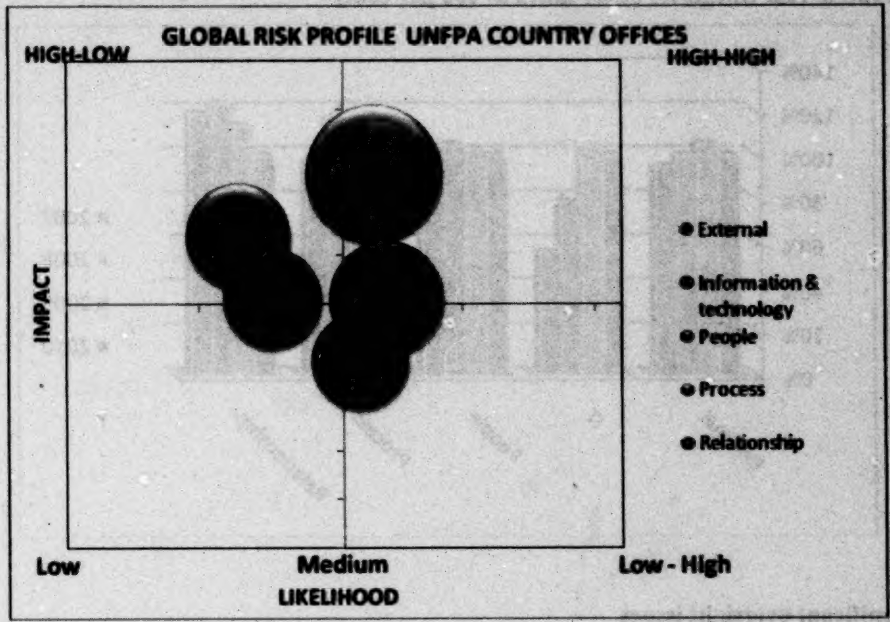
13. This risk universe encompasses all country offices, with the expenditure amounting to $545 million as of 10 January 2010, or 69 per cent of the UNFPA total annual expenditure. As indicated in figure 1 below, the country offices risk mapping is showing an improvement characterized by a migration of the points to the left side of the risk matrix. This positive finding shows that the actions initiated by UNFPA to correct some deficiencies have started showing results. The reductions in operating fund account (OFA) balances and in vacancies are amongst the most significant factors influencing this positive pattern.

Figure 1
Country offices risk profiles



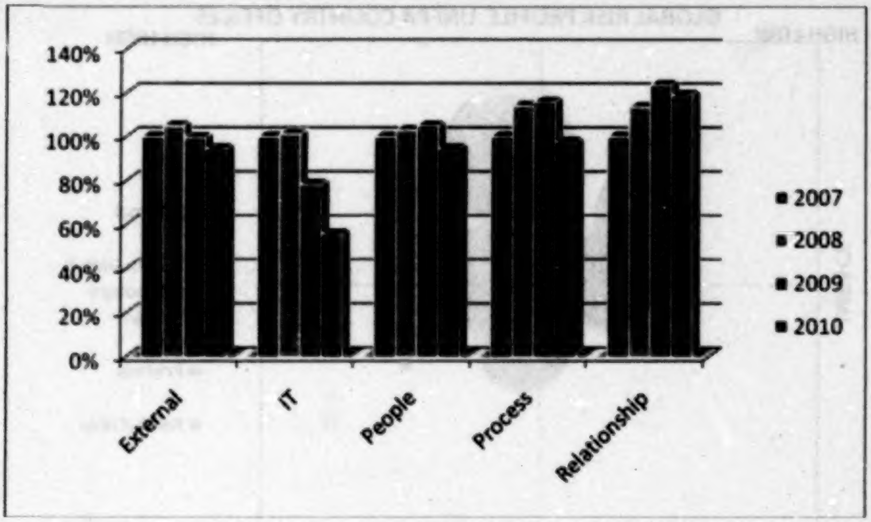
14. With the availability of comparable data, the model also provides some indication of trends by risk categories (external, information technology, people, process and relationship -- for definitions see DP/FPA/2006/4 and DP/FPA/2007/14). The results of the analysis carried out in January 2011 do not differ from previous reports, and relationship and process risks remain too high (see figure 2 below).

Figure 2
Consolidated risk profile of country offices



15. Compared over time, the levels of risks in country offices in the categories of information and technology are lower than in 2007; and relationship and process risks have not improved or worsened (see figure 3 below comparing values over 2007 index). The trend in these risks can be respectively associated with weaknesses in internal controls, programme management and monitoring, and with programme execution modalities. These issues, already mentioned in DP/FPA/2007/14, DP/FPA/2008/11, DP/FPA/2009/5 and DP/FPA/2010/20 should continue to receive greater attention by management. These findings are congruent with those identified by the external auditors and those detailed in earlier oversight reports of DOS as delineated in the following section.

Figure 3
Trend in risk categories (2007 index at 100 per cent)

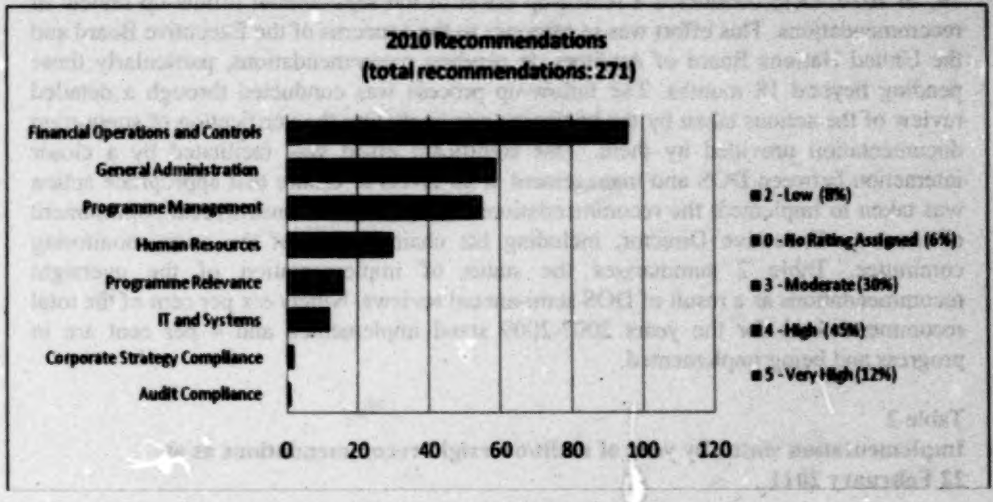


C. Significant oversight issues

Country offices

16. Nine of the oversight engagements completed in 2010 assessed controls and operations at UNFPA country offices with expenditures amounting to $82.3 million in 2009 (11 per cent of total expenditures). The risk management performance of eight of the nine country offices assessed was rated as "unsatisfactory" due to internal control, compliance and operational issues that could prevent the achievement of the objectives of the entities. The country office oversight assessment reports issued in 2010 contained 271 recommendations, of which 153 (57 per cent) were rated as high or very high impact. These compare to 580 recommendations issued in 2009, 36 per cent of which were considered to be of high or very high impact. The number of recommendations declined significantly in 2010 due to a concerted effort to focus on critical and systemic recommendations. As shown in figure 4 below, the majority of the country office issues were identified in the following areas: (a) financial operations and controls (national execution, harmonized approach to cash transfers to implementing partners (HACT) and processing, recording and reporting of financial transactions); (b) general administration (procurement and asset management); (c) programme management (programme planning, implementation and monitoring); (d) human resources; and (e) programme relevance. The matrices in annex 3 provide details on the most common oversight issues identified within those categories. It is important to note that the engagements completed in 2010 covered operations and activities of UNFPA country offices during 2008 and 2009, the assessment outcomes generally reflect the status of operations and controls in those years.

Figure 4
Country offices audit recommendations by area



Headquarters units

17. DOS performed six audit assignments at UNFPA headquarters in 2010. Two of these audits (IPSASs implementation and 2009 national execution (NEX) audit process) were rated as "unsatisfactory". No rating was assigned as a result of the assessment performed on information and communications technology (ICT) controls, but significant control design gaps were identified requiring immediate management attention. The remaining three engagements were rated as "partially satisfactory". In total, DOS issued 192 recommendations as a result of its oversight assessments of headquarters functions, 61 per cent of which were rated as high or very high risk.

18. Issues identified as a result of the assessments of the 2009 NEX audit and the IPSASs implementation processes are discussed in detail in section IV of this report. The results of the ICT control risk assessment performed indicate that key controls in most of the processes assessed within this area were not in place or are of an ad hoc and/or informal nature, increasing the risk of service delivery problems, unauthorized access to information resources and ineffective use of ICT assets. It has been recommended that management: (a) assign high priority to the development of an ICT internal control and governance framework as a foundation for developing and/or enhancing policies, procedures, processes and controls; (b) ensure that resources assigned to the Management Information Services (MIS) Branch are used efficiently; and (c) carefully and diligently prioritize and plan remediation activities to ensure that the key risks identified are addressed in a timely manner through practical and sustainable internal controls.

IV. Follow-up of 2007-2010 internal audit recommendations

19. In 2010, DOS conducted a scaled-up effort of the semi-annual follow-up review of recommendations. This effort was in response to the concerns of the Executive Board and the United Nations Board of Auditors on pending recommendations, particularly those pending beyond 18 months. The follow-up process was conducted through a detailed review of the actions taken by the business units, including the verification of supporting documentation provided by them. This significant effort was facilitated by a closer interaction between DOS and management at all levels to ensure that appropriate action was taken to implement the recommendations and also by the unequivocal commitment of the new Executive Director, including his chairmanship of the audit monitoring committee. Table 2 summarizes the status of implementation of the oversight recommendations as a result of DOS semi-annual reviews. Ninety-six per cent of the total recommendations for the years 2007-2009 stand implemented and 4 per cent are in progress and being implemented.

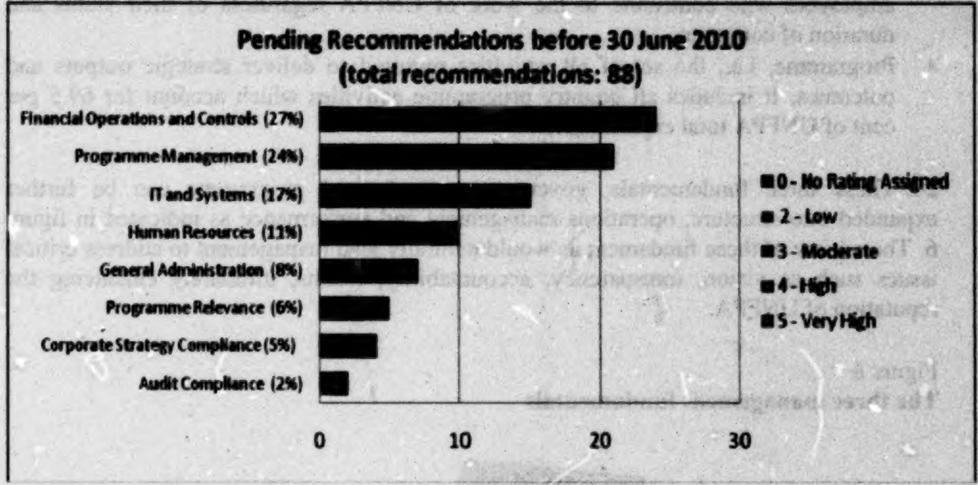
Table 2

Implementation status by year of audit/oversight recommendations as at 22 February 2011

Year	Number of reports issued	Total number of recommendations	Closed	In progress
2007	18	1,052	1,040 (99%)	12 (1%)
2008	20	882	840 (95%)	42 (5%)
2009	19	631	581 (92%)	50 (8%)
Subtotal 3 years (2007-2009)	57	2,565	2,461 (96%)	104 (4%)
2010	18	463	62 (13%)	401 (87%)
Grand total	75	3,028	2,523 (83%)	505 (17%)

20. As of 22 February 2011, a total of 505 recommendations (304 pertaining to country offices and 201 to headquarters) are pending, of which 104 recommendations pertain to the period 2007-2009. Of the 104 recommendations, 88 are unresolved recommendations issued before 30 June 2009 and are pending for over 18 months. As shown in figure 5, three areas require more attention from management in order for further progress on closing recommendations by DOS: (a) information and communications technology; (b) project/programme management; and (c) financial and operations management controls. Examples include, but are not limited to, Atlas security and controls, Funding Authorization and Certificate of Expenditures form (FACE form) and operating fund account management, NEX, and the monitoring and evaluation (M&E) capacity and follow-up.

Figure 5
Unresolved recommendations as at 22 February 2011 for 18 months and over



21. Unresolved recommendations with high impact relate to enterprise resource planning (ERP) access controls, incomplete documentation on disbursements, reconciliation of end-of-year country programmes and OFA balances, and unauthorized write-offs on OFA balances.

V. The way forward

22. The audit evidence accumulated for the past four years and the findings described in the previous section of the present report demonstrate that management should continue efforts to mitigate the risk exposure and improve the overall performance of UNFPA. However, the difficulty of such an undertaking should not be underestimated and the efforts and commitment of the management of UNFPA should be acknowledged and underscored. Many of the risk mitigation activities that are required are interrelated and are of equal priority and importance, thus creating a challenging situation wherein systemic and structural issues need to be addressed simultaneously. It is possible, however, to organize such an endeavour by following a path delineated by the three basic fundamentals that make an organization: its values and the way they are communicated, its workforce and what it is expected to deliver.

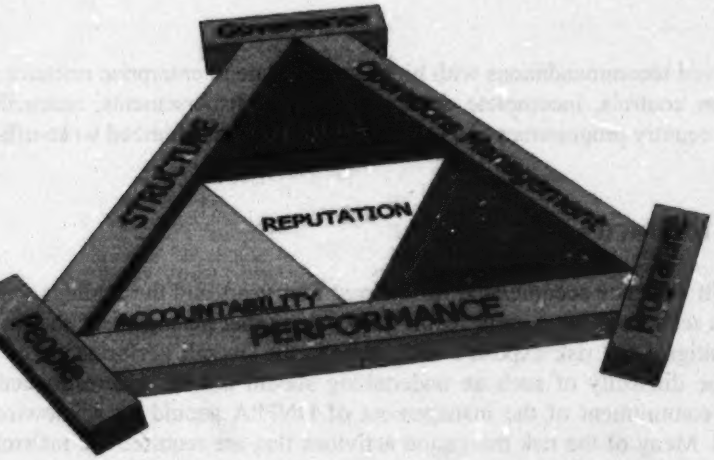
23. The audit findings documented for the past four years and the trends in risk profiles indicate that UNFPA should pay attention to three essential areas: governance, human resources and programme. For the purpose of this report, the three areas are defined as follows:

- Governance is the set of cultural norms, policies, rules and regulations, and institutions affecting the way UNFPA is directed. It includes, inter alia, the relationships among the many stakeholders involved and the goals of UNFPA, transparency, "tone at the top", and ethics.

- Human resources (hereinafter referred to as "people") are understood as all employees who contribute to the work of UNFPA regardless of their status and duration of contracts.
- Programme, i.e., the set of all activities required to deliver strategic outputs and outcomes. It includes all country programme activities which account for 69.5 per cent of UNFPA total expenditure.

24. These three fundamentals, governance, people and programme can be further expanded into structure, operations management and performance as indicated in figure 6. The review of these fundamentals would naturally lead management to address critical issues such as vision, transparency, accountability, results, ultimately enhancing the reputation of UNFPA.

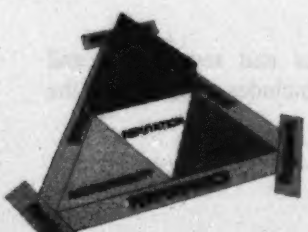
Figure 6
The three management fundamentals



25. Accordingly, the following section of this report offers the Executive Board a practical approach, which, informed by audit findings and their characteristics, helps formulate strategic recommendations and guide UNFPA in meeting its management challenges.

A. Governance

Vision



26. Although assessing the extent of progress towards the Millennium Development Goal 5 target of reducing by three quarters the maternal mortality ratio between 1990 and 2015 is a challenge. The results

published by the Maternal Mortality Estimation Inter-agency Group composed of WHO, UNICEF, UNFPA and the World Bank indicate that this goal is lagging behind and that substantial country and regional disparities persist. At the time when the world population will reach 7 billion with an unprecedented proportion of people below the age of 18 and a persisting and worrying prevalence of HIV/AIDS in young women, UNFPA needs to reassess its role, strategic priorities and interactions with all stakeholders. This strategic assessment should be embedded in a vision for the forthcoming years. If well communicated outside and inside, this vision, based on the Programme of Action of the International Conference on Population and Development, will inspire UNFPA employees and help focus UNFPA strategic direction and advocacy.

Recommendation 1

27. Building on the midterm review of the UNFPA strategic plan, 2008-2013, the Executive Director should elaborate a vision statement that would reorder the priorities and guide UNFPA for the subsequent strategic plan and results framework. This vision statement should be supported by a strategic communication approach targeted at the public and UNFPA employees.

B. Human resources: People

Adequacy

28. Based on 2010 expenditure figures, approximately 31 per cent ($225 million) of total UNFPA expenditures are on personnel salary costs. Furthermore, consultants and contractors such as special service agreement/service contracts constitute 50 per cent and 80 per cent of total salary costs in programme and trust funds expenditures, respectively. This evidences a large dependency on contracts and consultancies for the delivery of the programme and constitutes a risk to the stability of programme delivery.

29. Of the total staff of UNFPA, 17 per cent are at headquarters, 10 per cent are in regional offices and 73 per cent are in country offices. Twenty-three per cent of international staff members are new or reassigned to their functions. A survey conducted by DOS in December 2010 shows the following:

Table 3: Issues in appointment (sample size 90)

	Representative	Deputy Representative	Assistant Representative
Post vacant before appointment	23%	13%	15%
Average vacancy (months)	5.5	8.6	9.7
Maximum vacancy (months)	30	24	36
Received induction training	32%	0%	10%

30. The issues of staff vacancies and inadequate expertise are further compounded by the dynamics of the population of staff members in UNFPA:

- A total of 103 international professionals (21 per cent of total international professionals) are projected to retire between 2011 and 2015. Of those at the senior management level (P5 and above), 31 per cent will be retiring, including eight of the 13 staff at D2/P7 level[1].
- The proportions of international professional staff aged 20-30 and 30-35 years are 1 per cent and 7 per cent, respectively.

UNFPA faces a risk of managing a large volume of remote entities, with a large percentage of staff in new or reassigned functions without proper skills and expertise.

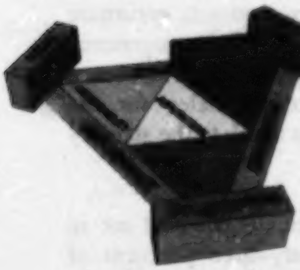
Recommendation 2

31. UNFPA should ensure that:

- Vacant positions are filled without delays by competent staff.
- Staff have the necessary UNFPA-related competencies and skills in management, programming, monitoring and evaluation and operations as required.
- A programme is launched to ensure succession planning, develop young talent within the organization, and develop and provide career paths and training. The recourse to temporary personnel (retirees, officers-in-charge) should be discouraged.

C. Programme

Relevance



32. Despite an impressive list of indicators (more than 50) in its strategic plan results framework, available evidence shows that UNFPA has not been successful in measuring its results. The causes of this situation have been detailed in the biennial reports on evaluation presented by DOS in 2006, 2008 and 2010. Among the causes, two must be emphasized: (a) inadequate use of evidence-based programming; and (b) lack of strategic focus. Although the use of quantitative and qualitative analytics improves performance[2], evidence-based programming has not received the much-deserved attention it merits. The guidance note on evidence-based programming developed by the Programme Division is a preliminary step of a process that should eventually result in a comprehensive methodology explained in practical guidelines. Inappropriate programme focus is one of the consequences of this lack of culture of analytics and is one of the recurrent findings in DOS field engagements. Eighty-eight per cent of programme countries have activities in all three of the Fund's strategic areas (population and development; reproductive health; and gender equality and women's empowerment), thus spreading limited resources too thinly, when

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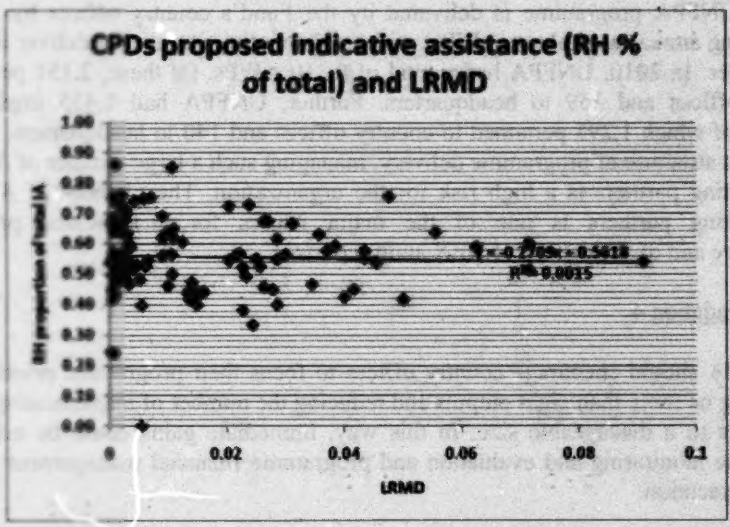
[1] UNFPA, Report on human resources management in UNFPA, DP/FPA/2011/2.

[2] Steve LaValle and others, "Big Data, Analytics and the Path From Insights to Value", *MIT Sloan Management Review*, vol. 52, No. 2, pp. 21-33 (December 21, 2010).

compared to other funds or programmes or international institutions. There is no correlation between the reproductive health status of the countries and the levels of UNFPA investments in reproductive health as illustrated in figure 7 below where lifetime risk of maternal death[3] (LRMD) is correlated with the proportion of indicative assistance in reproductive health. The same absence of correlation exists when using other reproductive health indicators such as contraceptive prevalence, unmet needs or teenage pregnancy rates and budgets or expenditures.

Figure 7

Correlation between adult lifetime risk of maternal death and country programme document reproductive health proposed assistance



33. The Division for Oversight Services conducted an analysis of the proportions of proposed indicative assistance in reproductive health, population and development, and gender to the total approved assistance of 109 country programme documents approved by the Executive Board for the past six years. This analysis shows with a 95 per cent degree of confidence that these values range between 53 and 58 per cent for the reproductive health component; 22 and 26 per cent for the population and development component; and 13 and 17 per cent for the gender component. This distribution of resource allocation demonstrates that in too many cases country programme indicative assistance is indiscriminate and not based on the needs of the beneficiaries. This finding calls for more flexibility to better respond to the specific needs of programme countries.

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[3] "The adult lifetime risk of maternal death (LRMD) is the probability that a 15-year-old female will die eventually from a maternal cause. As measured in 2008, it is highest in sub-Saharan Africa (at 1 in 31), followed by Oceania (1 in 110), and South Asia (1 in 120), while developed regions had the smallest lifetime risk (1 in 4,300). Of the 172 countries and territories, Afghanistan had the highest estimated lifetime risk of 1 in 11. (*Trends in Maternal Mortality: 1990 to 2008 Estimates developed by WHO, UNICEF, UNFPA and The World Bank* (World Health Organization, Geneva, 2010).

Recommendation 3

34. UNFPA should comply with Executive Board decisions 2008/12, paragraph 2; 2009/18, paragraph 4; and 2010/26, paragraph 11. UNFPA should further elaborate an evidence-based methodology to be applied at corporate level for making investment decisions and at country level for designing the programme in 2011. UNFPA should also develop and implement a comprehensive training in 2012 on evidence-based programming.

Focus

35. The UNFPA programme is delivered by the Fund's country offices by means of establishing annual workplans (AWPs) with implementing partners to deliver the agreed deliverables. In 2010, UNFPA had a total of 2,310 AWPs. Of these, 2,151 pertained to country offices and 159 to headquarters. Further, UNFPA had 1,435 implementing partners, of which 1,295 pertained to country offices and 140 to headquarters. Based on the current structure of programme delivery, managing such a large number of AWPs and implementing partners is a high risk for the organization. The plethora of AWPs and implementing partners is one of the major causes for unaccounted programme expenditure and qualifications of NEX audit reports.

Recommendation 4

36. UNFPA should encourage country offices to focus their programme priorities, thus developing no more than eight outputs and reducing the number of implementing partners and AWPs to a manageable size. In this way, immediate gains could be achieved in programme monitoring and evaluation and programme financial management including national execution.

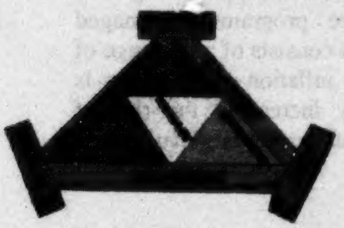
Standardization versus flexibility

37. UNFPA faces the significant challenge of effectively managing and overseeing a highly decentralized operation. A significant portion of programme expenditure is incurred and managed by decentralized units (country offices) which operate with a high level of delegated authority. In the past few years, country offices have suffered from significant weaknesses in the areas of financial operations, programme management, procurement, asset management and human resources. Repetitive audit recommendations year after year indicate that these issues are not being addressed in a sustainable manner. While many of those issues are a consequence of shortcomings in UNFPA governance and control arrangements (as noted earlier in this report), they are rooted in the use of a standard country office business model that is no longer adapted to the variety of challenges and risk level of programme operations. The current typology guiding the geometry of country offices does not offer the flexibility required to fully match resources to needs.

Recommendation 5

38. While complying with Executive Board decision 2000/19: Review of the system for the allocation of UNFPA resources to country programmes, UNFPA should develop a flexible process to better align programme resource allocation with beneficiaries' needs.

D. Linking governance and people: Structure



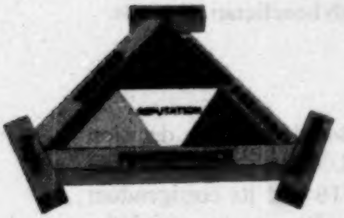
39. When the Executive Board adopted decision 2007/43 approving the UNFPA organizational structure (see DP/FPA/2007/16 and its corrigendum DP/FPA/2007/16/Corr.1), the Board recognized the need for a more suitable structure for UNFPA that would enable the Fund to respond more effectively to the needs of countries. The restructuring of UNFPA, often inappropriately called "regionalization", is a complex devolution combining deconcentration (a term which, in a governmental context, refers to the process by which the agents of central government control are relocated and geographically dispersed) and decentralization (a term which, in a governmental context, refers to the transfer of powers from central government to lower levels in a political-administrative and territorial hierarchy). At UNFPA, the deconcentration has been implemented through the relocation of former geographical divisions from UNFPA headquarters in New York to regional offices with both technical and programmatic functions. The devolution that started in 2007 is still in progress, the Arab States Regional Office and the Eastern Europe and Central Asia Regional Office were established, respectively, at the end of 2010 and beginning of 2011. Both regional offices, however, work in precarious conditions. The ambiguities of the terms of reference of the regional offices ("leadership, guidance, support, coordination, oversight") have contributed to a vacuum in quality assurance (headquarters rejecting accountabilities that regional offices cannot assume and vice versa), blurred lines of responsibilities and accountability, and severed the structural link between headquarters and country offices representatives. The risk of fragmentation mentioned in the 2009 DOS report (DP/FPA/2009/5) remains high. As pointed out by the external auditors in their report A/65/5/Add.7, there is no evidence that internal controls have been developed to take measure of the new structure and to mitigate its inherent risks.

Recommendation 6

40. At the Board's second regular session 2012, UNFPA should submit an assessment report on the new structure after a review of the headquarters, regional offices and country offices. This report would also inform the design of the new strategic plan, 2014–2018.

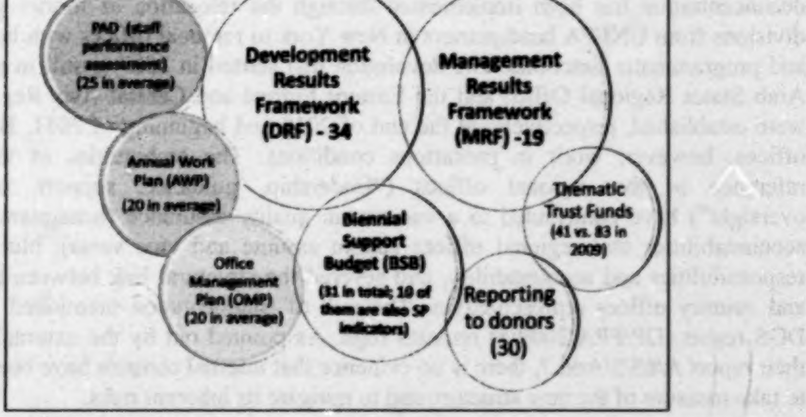
E. Linking programme and people: Performance

Performance measurement



41. UNFPA has a multitude of indicators (see figure 8 below). For example, there are more than 70 high-level indicators in the strategic plan, 2008-2013, including in the management results framework, development results framework and the biennial support budget. In addition to these, the core programme managed through the annual workplans consists of an average of 20 indicators per AWP. The inflation of indicators is indicative of the fragmentation of the programme, thereby increasing the risk of managing it. UNFPA faces a risk in managing a programme with such a large volume of indicators.

Figure 8
Number of indicators


PAD (staff performance assessment) (25 in average)
Development Results Framework (DRF) - 34
Management Results Framework (MRF) -19
Annual Work Plan (AWP) (20 in average)
Thematic Trust Funds (41 vs. 83 in 2009)
Biennial Support Budget (BSB) (31 in total; 10 of them are also SP indicators)
Office Management Plan (OMP) (20 in average)
Reporting to donors (30)

Recommendation 7

42. UNFPA should take the opportunity of the midterm review of the strategic plan, 2008–2013, to streamline indicators, improve their relevance, specificity and measurability, and simplify the results framework.

Culture of accountability: Accountability claims and behaviour

43. There is a clear inadequacy between the rating of individual performance and the overall commitment to accountability. According to a recent report on the performance appraisal and development (PAD) system, only two out of 2,000 staff appraised were

considered not performing. The case of national execution could be used as a good example of accountability issues in UNFPA. The management of national execution by UNFPA has been sanctioned by a qualified opinion by the external auditors because of poor programme management and monitoring. This qualification has been a source of frustration and ad hoc reactions, including an attempt to link the ratings of NEX audit with the performance of managers. Accountability cannot be decreed but requires first the empowerment of employees via appropriate means, including tailored training and effective internal communication. The evidence provided in section V, B. Human resources: People, shows that changing the culture of accountability will take more time and will require more resources than expected.

Recommendation 8

44. UNFPA should:

- Review job descriptions and identify skills and expertise required for key positions. This review should start first at country level. The review should take into consideration the various types of operations and depart from the old business model based on country office typology.
- Define in a transparent manner lines of responsibilities, supervision and accountability, as well as key performance indicators.
- Use the PAD system to promote accountability of performance as measured by key performance indicators.
- Develop or outsource the development of standard training packages and organize annual training sessions for newly appointed professionals. The use of e-learning may be developed as a complement to these institutional trainings.

Monitoring and evaluation

45. Monitoring and evaluation have a strategic role to play in informing UNFPA programmes. DOS reports have found and highlighted the following recurrent findings:

- Long delays in staffing M&E officer positions impact country offices' accountability and may also foster ineffective and inefficient programme performance. UNFPA M&E function at country-office level is critical in a context marked by the necessity to increase development partners' ownership and leadership of the evaluation process.
- M&E activities are largely perceived by staff as add-on tasks or administrative procedures rather than as an essential learning and quality assurance process within the organization.
- Due to insufficient guidance on M&E (objectives and methodology), country offices implement M&E activities in an irregular manner.
- Country offices' current practice of M&E addresses first and foremost compliance. The information emerging from current practices does not provide managers and decision makers with an understanding of the success or failure of the programme, and hence does not produce evidence that can be used for future programming.
- The quantity and quality of evaluations produced in and by UNFPA are unsatisfactory. They should involve implementing partners in a more systematic way

as prescribed by the evaluation policy of UNFPA and General Assembly resolution 62/208.

Recommendation 9

46. UNFPA should integrate the M&E function within country offices' cycle of operations. The effective recruitment of M&E officers has yet to be seized as an opportunity and necessary step towards the creation of a more formalized results-oriented M&E system to support evidence-based programming and evidence-based management of country offices' programmes and activities.

47. UNFPA should also pursue its efforts to develop a solid country programme evaluation methodology to better contribute to the evidence required for making informed programming decisions, better respond to evaluation questions that are of interest to stakeholders while enhancing the involvement of programme countries.

F. Linking programme and governance: Operations management

Management approach

48. In the year 2010, the management of UNFPA made serious efforts to correct deficiencies and to respond to the Executive Board, external audit and United Nations system-wide requirements. The initiatives included, inter alia, the implementation of the International Public Sector Accounting Standards by 2012; development of an internal control framework (ICF); implementation of the new organizational structure; creation of evidence-based programming; results-based management (RBM); enterprise risk management; and business continuity management. The Division for Oversight Services supported these significant initiatives by providing advisory services on many topics, as much as its resources would allow. However, this intensive endeavour could produce more tangible results if:

- **Each of these initiatives could be better integrated rather than generating its own committee or working group with a mandate that, at times, would overlap with the responsibilities of line managers or division directors.**
- **Lines of accountability could be clarified. The recourse to committees and working group makes it difficult to identify business owners and assign responsibilities.**
- **The approach could be inspired by a strategic vision, and supported by an adequate internal communication to prevent a fragmented and ineffective approach.**

Recommendation 10

49. UNFPA should adopt a more rational, integrated and strategic approach to management, following the logical approach recommended by the International

Organization of Supreme Audit Institutions (INTOSAI)[4] to better articulate risk management, internal controls and policies. This would help to assess priorities, timing and resources needed for these important internal reforms.

Risk management

50. For the past five years, the Executive Board has urged UNFPA to better manage risks. Risk management should be seen as a coordinated process to help UNFPA identify, assess and respond to internal and external risks within its risk appetite and to also inform the strategic priorities of the Fund. In 2010, management commissioned a consulting company to define the outlines of a risk-management strategy and recruited a senior risk management adviser who initiated a risk assessment with senior management on the subject. However, risk management has not been sufficiently promoted within the organization. The chosen top-down approach has been too theoretical to be perceived by line managers as a useful and practical tool. Management is working on a more practical approach and is preparing a plan of implementation for the next two years.

Recommendation 11

51. UNFPA should comply with Executive Board decisions 2006/8, paragraph 3; 2006/13, paragraph 6; 2007/10, paragraph 5; 2008/13, paragraph 14; 2009/15, paragraph 16; and 2010/22, paragraph 14; and ensure that risk management is a systematic approach embedded in the culture of UNFPA and drives decision-making, the design of control activities including those in the ERP system.

Internal controls

52. The Executive Board and the Audit Advisory Committee have urged management to implement an internal control framework in line with the internationally recognized best practices recommended by INTOSAI. In July 2010, DOS issued an advisory services memorandum to management outlining the steps required to enable the completion of a fully INTOSAI/Committee of Sponsoring Organizations of the Treadway Commission (COSO) compliant internal control framework. The United Nations Board of Auditors has also emphasized the weaknesses of and the lack of compliance with internal controls. To date, limited progress has been achieved beyond the initial completion, with the assistance of a consulting firm, of a control activities framework for six business processes. Management has documented existing controls on a web-based application, an interesting initiative whose pertinence and effectiveness must be assessed. The framework developed does not address control activities for other processes; programme planning, budgeting, implementation and monitoring; and information and communications technology. A thorough risk assessment and management are necessary to ensure the usefulness of the framework.

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[4] INTOSAI, *Guidelines for Internal Control Standards for the Public Sector – Further Information on Entity Risk Management*, INTOSAI GOV 9130. Available from http://www.issai.org/composite-194.htm.

Recommendation 12

53. UNFPA should comply with Executive Board decisions 2007/10, paragraph 4; 2007/29, paragraph 3; 2008/13, paragraph 16; 2009/15, paragraph 16; and 2010/22, paragraph 14; and should continue to develop an internal control framework following international guidance and standards. UNFPA should also ensure that staff are fully trained in using and monitoring internal controls.

Information and communications technology controls and architecture

54. UNFPA could significantly improve its ICT control environment through a complete reassessment and revamping of UNFPA current technology and applications architecture. Specific areas that need to be looked into to enhance the ERP system include:

- Approval requirements and workflows for procurement and payment transactions.
- Automated and configurable controls (i.e., receiving of goods and services procured and management and tracking of cash advances).
- Management and control of service contracts and special service agreements, which account for a significant portion of payroll costs.
- Management and monitoring of programme/project implementation and budget utilization.
- Management of implementing partners and processing and payment of payment requests.
- Monitoring of financial transactions and compliance with policies and procedures.

Recommendation 13

55. Given the rapid changes in technology, UNFPA should undertake a complete reassessment of its ICT architecture, including the organization, management and staffing of the MIS Branch. Failure to invest in information and communications technology will prevent UNFPA from implementing an organization-wide solution to its systemic operations and controls issues. More importantly, the assessment will also support UNFPA in identifying strategic opportunities in enhancing and aligning the ICT strategy, organization and governance arrangements.

National execution

56. In 2010, DOS conducted an assessment of the 2009 NEX. Total NEX expenditures for 2009 amounted to $209 million ($172 million in 2008), corresponding to over 2,300 projects delivered by over 1,295 implementing partners at 132 country and regional offices and headquarters units. NEX expenditures amounting to $145 million (69 per cent of NEX expenditures) were planned to be audited for 2009 based on the applicable audit terms of reference, under which direct payments made on behalf of implementing partners were excluded from the scope of the audits. As of 31 December 2010, UNFPA had received 592 of the 706 NEX audit reports due for 2009, covering NEX expenditures amounting to $122 million (58 per cent of total NEX expenditures for the year).

57. As illustrated in table 4, the results obtained as regards 2009 show a deterioration of the NEX audit process performance in comparison to 2008. The 2009 NEX audits resulted in: (a) a larger number of qualified audit reports; (b) a higher amount of unsupported expenditure; and (c) an increase in the number of reports that were submitted late and in the expenditure amount for audit reports that were not submitted (although the number of audit reports not submitted slightly improved in percentage terms).

Table 4

Comparison of 2008 and 2009 national execution audit performance

Indicator	2008	2009	Change
Number of audit reports with a negative opinion[5]	82	130	
As a percentage of total reports submitted	(8%)	(22%)	Deterioration
Total expenditure for audit reports with negative opinions	$8.3m	$34.2m	Deterioration
Unsupported expenditure	$1.2m	$3.3m	Deterioration
As a percentage of total audited NEX expenditure	(1.4%)	(2.7%)	
Audit reports not submitted	$18.5m	$23.2m	Deterioration
As a percentage of total NEX auditable expenditure	(15%)	(13%)	
Audit reports submitted late			
As a percentage of total audit reports submitted	40%	46%	Deterioration

58. The OFA/NEX advances are funds provided to implementing partners on a quarterly basis for the implementation of UNFPA-supported programmes, projects and activities. In 2010, DOS expressed serious concerns to UNFPA management over the management of and the high OFA/NEX balance. In response to these concerns, management at headquarters and country offices undertook a series of proactive initiatives to reduce OFA/NEX balance levels. These efforts contributed to a decrease in OFA/NEX balance. However, as shown in figure 9, the pace of liquidation of this account in less than three weeks continues to raise questions about the adequacy of financial reporting by country offices.

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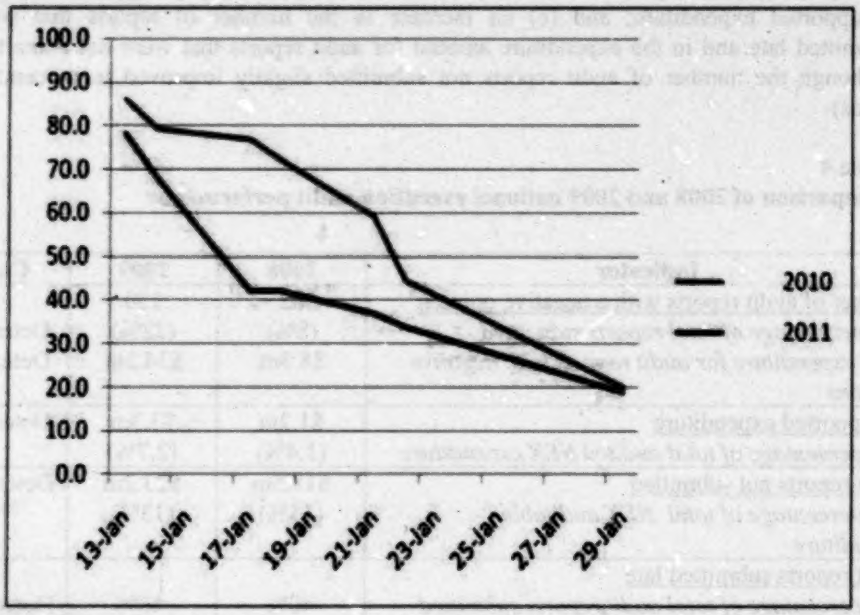
[5] Qualified, modified and adverse opinions and disclaimers of opinion.

Figure 9

Evolution of operating fund account/national execution balance January 2010 and 2011 (in millions of $)



59. For the past three years UNFPA has made considerable efforts to address NEX audit issues. The recent development such as the hiring of an international audit company may bring significant improvement in the quality of NEX audits. However, audit results are only the symptoms of the quality of controls that are in place to mitigate risks. The major cause rests with the difficulties of many country offices to: (a) assess implementing partner capacities and risks; (b) select implementation modalities commensurate with the risks level assessed; (c) plan, manage and monitor annual workplans; and (d) process, monitor and record expenditures. These difficulties result in a high level of unaccounted advanced funds (operating fund account). National execution is a UNFPA management issue that requires a locally implemented solution supported globally by a strong institutional commitment.

Recommendation 14

60. UNFPA should address the root causes of deficiencies pertaining to programme implementation and execution modalities while continuing to follow up on the recommendations of the external auditors. (See also recommendations 3 and 4).

International Public Sector Accounting Standards

61. The implementation of IPSASs was approved in 2006 by the United Nations High-level Committee on Management (HLCM) for financial statement periods commencing no later than 1 January 2010. The implementation deadline for UNFPA was subsequently

deferred to 1 January 2012, to enable a "full" implementation of the standards (as opposed to a phased implementation, as initially planned) and endorsed by the Executive Board in decision 2009/15.

62. In 2010, DOS performed an assessment of the UNFPA strategy and approach for implementing IPSASs. The assessment revealed the existence of significant issues which could adversely affect UNFPA ability to complete an effective implementation of IPSASs by the established deadline. The issues noted include:

- Ineffective project governance by the IPSASs Project Board.
- Lack of clearly defined milestones.
- Lack of analysis of the full implications of the adoption of standards concerning day-to-day operations and new required skills and expertise.
- Lack of clear identification of the owners of the business processes impacted by the implementation.
- Weaknesses in the communications and training strategy.
- Delays in recruiting resources with the required skills and experience.
- Limitations in project reporting and monitoring to measure the project's progress against key targets.

63. It should be noted that many of these issues are consistent with those previously identified and reported by the United Nations Board of Auditors. Despite noteworthy efforts made by management to implement IPSASs, significant risks still remain and urgent measures need to be taken to manage these risks more effectively if UNFPA is to realize the objectives set out for implementing IPSASs by 1 January 2012.

Recommendation 15

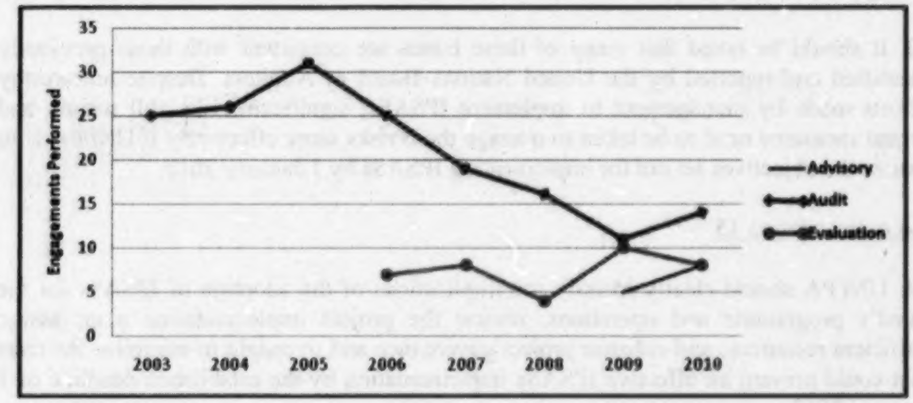
64. UNFPA should clearly identify the implications of the adoption of IPSASs for the Fund's programme and operations; review the project implementation plan; assign sufficient resources; and enhance project governance and oversight to minimize the risks that could prevent an effective IPSASs implementation by the established deadline of 1 January 2012.

ANNEX 1: ACTIVITIES OF THE DIVISION FOR OVERSIGHT SERVICES

Audits

1. The Division for Oversight Services (DOS) completed 16 oversight engagements in 2010. The work of the Division is indicated in the figure below. Oversight engagements covered six country offices in the Africa region (for one of them, both harmonized approach to cash transfers to implementing partners (HACT) and country programme audits were performed) and three country offices in the Arab States region. Seven of the engagements addressed both audit and evaluation matters. Headquarters engagements included assessments of information and communications technology controls; the 2009 nationally executed expenditure audit process; the International Public Sector Accounting Standards (IPSASs) implementation project; travel operations; and the purchasing card programme. DOS also performed a joint audit and evaluation assessment of the UNFPA thematic trust funds. In addition, the Division conducted five advisory services during the year.

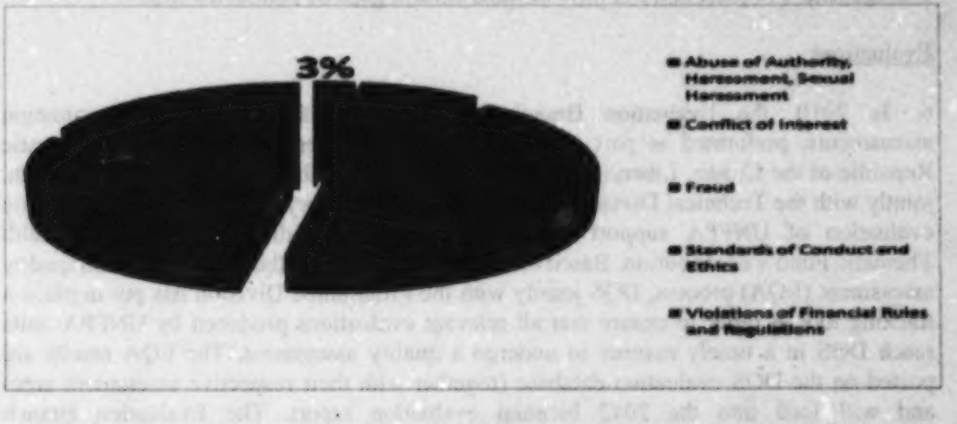
Activity of DOS



Investigations

2. A total of 48 cases have been managed by the Investigation Branch in 2010 (38 new incoming cases in 2010 and 10 cases carried forward from 2009). The five major categories of complaints received in 2010 are described in the figure below. The majority of investigations (84 per cent) received in 2010 were referrals and/or complaints from either management or personnel (including whistleblowers).

2010 types of complaints



3. Of the total caseload of 48 cases received in 2010 and carried over from 2009, DOS closed 33 cases and reported 21 cases to management and other agencies. As of January 2011, 15 cases relating to 2010 remain in progress. The 33 cases addressed during 2010 are identified as in the table below. DOS has recommended action on 17 cases reported to management. On six cases, the Executive Director has taken action to terminate personnel based on evidence of misconduct, including one referral to national authorities for prosecution. On 11 cases, management action is awaited. The investigated cases have provided evidence of misuse of funds for a total amount of approximately $602,000, less than 0.1 per cent of annual expenditure.

Closing of investigations in 2010

	Number	Percentage
Complaints closed after preliminary assessment	12	36
Reports to other UNFPA Divisions	3	9
Formal report issued to Executive Office	17	52
Reports to sister agencies	1	3
Cases leading to formal action or being closed by management	6	35
Total cases investigated	33	100

4. An Investigation Branch Intranet site has been created in order to educate staff members on the investigation policies and processes and also to keep them informed on related statistics (number of cases reported, investigated and management action taken) thereby further promoting transparency in the organization. The Intranet site also represented an opportunity to re-launch the awareness of the existence of a misconduct reporting hotline in five official United Nations languages.

5. Detection activities in 2011 will focus on the implementation of a forensic continuous monitoring system, in cooperation with the Division for Management Services. Support for the implementation of this system was granted by the Executive

Board in 2010. Procurement for this system was initiated in late 2010 because of management's request that a review of fraud control gaps be conducted first.

Evaluations

6. In 2010, the Evaluation Branch undertook the following seven evaluation assessments, performed as part of DOS oversight engagements[6]: Angola, Democratic Republic of the Congo, Liberia, Malawi, Sudan and Zimbabwe. The Evaluation Branch, jointly with the Technical Division, completed the preparatory work for its 2011 thematic evaluation of UNFPA support to maternal health, including the Maternal Health Thematic Fund's contribution. Based on lessons learned from the 2009 evaluation quality assessment (EQA) process, DOS jointly with the Programme Division has put in place a tracking tool in order to ensure that all relevant evaluations produced by UNFPA units reach DOS in a timely manner to undergo a quality assessment. The EQA results are posted on the DOS evaluation database (together with their respective assessment note) and will feed into the 2012 biennial evaluation report. The Evaluation Branch methodology was substantially revised in 2010 based upon the lessons learned from the oversight engagements of 2009 and 2010. This led to noticeable improvements in the evaluation process (desk phase, field phase and reporting phase) and deliverables.

Other activities

7. The UNFPA Division for Oversight Services actively supported inter-agency cooperation and United Nations reform and participated in several formal working groups including the United Nations Development Operations Coordination Office (DOCO) and professional networks, including the Representatives of the Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions (RIAS), the United Nations Evaluation Group (UNEG), and the Conference of Investigators of the United Nations system. DOS contributed to harmonizing inter-agency audit efforts and moving towards the One United Nations Initiative by leading the first inter-agency audits of the HACT in Malawi and Viet Nam, undertaken with the participation of members from UNICEF and UNDP in September 2009 and February 2010, respectively. In these engagements, a new HACT audit methodology was developed, tested and found to be effective in auditing the HACT process.

8. Informal exchanges with the investigative bodies of other agencies included sharing of methodologies, approaches and techniques to conduct investigations. The Investigation Branch actively provided investigative assistance to an agency on an investigation that proved serious misconduct by members of its personnel. Communications were also initiated with another agency in view of developing a joint investigation on allegations of serious misconduct perpetrated by colluding personnel.

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[6] For a definition of "oversight engagement" see annex 2.

ANNEX 2: REPORTS ISSUED IN 2010

Oversight engagement of thematic trust fund	[redacted]	Partially satisfactory
Evaluation quality engagement 2007-2008	[redacted]	*No rating assigned*
Joint audit of the harmonized approach to cash transfer in Viet Nam (UNDP/UNFPA/UNICEF)	[redacted]	*No rating assigned*
Oversight engagement of the UNFPA country office in Malawi	[redacted]	Unsatisfactory
Oversight engagement of the UNFPA country office in Liberia	[redacted]	Partially satisfactory
Oversight engagement of the UNFPA travel function	[redacted]	Partially satisfactory
Oversight engagement of the UNFPA country office in Ethiopia	[redacted]	Unsatisfactory
Audit of the purchasing card programme	[redacted]	Partially satisfactory
Oversight engagement of the UNFPA office in Sudan (Khartoum)	[redacted]	Unsatisfactory
Oversight engagement of the UNFPA office in Southern Sudan (Juba)	[redacted]	Unsatisfactory
Advisory on evaluation in UNFPA	[redacted]	*No rating assigned*
Oversight engagement of the UNFPA country office in Angola	[redacted]	Unsatisfactory
Oversight engagement of the UNFPA country office in Somalia	[redacted]	Unsatisfactory
Information and communications technology controls risk engagement	[redacted]	*No rating assigned*
Oversight engagement of the 2009 NEX audit process	[redacted]	Unsatisfactory
Oversight engagement of the UNFPA country office in the Democratic Republic of the Congo	[redacted]	Unsatisfactory
Oversight engagement of the UNFPA country office in Zimbabwe	[redacted]	Unsatisfactory

N.B. The scope of an oversight engagement encompasses all aspects of an operation including compliance, financial and managerial processes, country programme relevance and evaluability, efficiency and effectiveness of controls. It involves a larger team of auditors and evaluators than an audit. The scope of an audit is more restricted, including compliance, financial and managerial processes. It only involves auditors.

ANNEX 3: RECURRENT ISSUES

The following two matrices respectively provide a detailed review of recurrent audit issues for country offices and recurrent evaluation issues for country offices. Issues recurring at a rate between 30 per cent and 60 per cent and at a rate above 60 per cent for a given area or cause are rated as "common" and "very common", respectively.

Significant recurrent audit issues for country offices

Audit area/cause	Issue prevalence		Most significant recurrent oversight issues	Recommendations to address the issues
	2009	2010		
			External risk	
General administration: inadequate security, safety and protection of staff and premises	**Common**	**Common**	**Lack of compliance with security standards exposing UNFPA to liability in the event of security incidents**	**Perform more frequent minimum operating security standards (MOSS) assessments and monitoring of non-compliant operations**
			Relationship risk	
Financial operations and controls: lack of accountability in operational activities for development (national execution, NEX)	**Very common**	**Very common**	**Insufficient assessment of implementing partner capacities** **Utilization of implementation modalities not aligned to operational challenges and implementing partners capacities** **Ineffective implementing partner capacity-building strategies** **Delays in funding to implementing partners and project initiation**	**Perform a more rigorous assessment of implementing partner capacities as a basis to determine the most appropriate implementation modalities and to determine the scope and frequency of monitoring** **Reinforce and sustain implementing partner capacity-building activities** **Ensure an earlier completion, approval and signing of key documents such as letters of understanding and annual workplans** **Enhance controls as regards submission, review, approval and timely payment of funding requests** **Increase the scope and frequency of monitoring for projects implemented by partners with weak capacities**

Audit area/cause	Issue prevalence		Most significant recurrent oversight issues	Recommendations to address the issues
	2009	2010		
			Insufficient monitoring of project implementation by implementing partners Poor planning, coordination and monitoring of NEX audits	Enhance the process and controls to ensure that NEX audits are timely planned and completed and that audit issues are timely and effectively resolved
Programme management: weak programme planning, implementation and monitoring	Common	Very common	Late planning and initiation of project implementation activities Unclear or outdated annual workplans Discrepancies and lack of support and revision of project budgets Insufficient monitoring of programme implementation and outcomes due to lack of staff, processes and tools	Enhance the planning process to ensure a more accurate and timely completion of annual workplans - implement an automated application to support preparation and maintenance of annual workplans and budgets Increase the scope and frequency of project monitoring and ensure that appropriate tools and resources are deployed to support it
			Process risk	
Financial operations and controls: weak budgeting, accounting and financial reporting	Very common	Very common	Lack of reconciliation of project expenditures to budgets Recording of procurement and other financial transactions in the wrong ledger, project, activity and fund codes Lack of reconciliation of NEX expenditures recorded and operating fund account balances to the corresponding funding authorization and certificate of expenditures (FACE forms)	Ensure that actual expenditures are regularly reviewed by project officers and reconciled to project and activity budgets Enhance the controls to ensure the accurate and timely recording of financial transactions, including their review by project and operations managers Enhance the controls over the review, recording and reconciliation of certificates of expenditures submitted by implementing partners

Audit area/cause	Issue prevalence 2009	Issue prevalence 2010	Most significant recurrent oversight issues	Recommendations to address the issues
			High level and ageing of, and adjustments to, operating fund account balances	Implement a more rigorous process for monitoring the balance, trend and ageing of the operating fund account and of adjustments thereto
General administration: weak purchasing and disbursement procedures and practices	Common	Very common	Deviations from procurement policies and procedures as regards bidding and purchase approval	Enhance controls to ensure that procurement transactions are in compliance with procurement policies and procedures Enhance the purchase order and accounts payable voucher approval workflow within Atlas
General administration: weak asset management procedures and practices	Very common	Very common	Incomplete fixed asset records Assets transferred to implementing partners not timely removed from fixed asset records	Enhance controls over fixed asset capitalization and transfers to implementing partners Enhance the effectiveness of the annual fixed asset inventories
Financial operations and controls: inappropriate handling of cash	Common	Common	Lack of tracking of cash advances to staff and implementing partners Lack of proper supporting documentation of payments made	Minimize the use of cash advances to the greatest possible degree allowed by operational conditions Enhance the process and controls for tracking and adjusting cash advances paid Enhance the review and approval of financial transactions to ensure that payments can only be made on the basis of appropriate and valid supporting documentation

Audit area/cause	Issue prevalence		Most significant recurrent oversight issues	Recommendations to address the issues
	2009	2010		
People risk				
Human resources: inappropriate human resource practices and capacity	Very common	Very common	High vacancy rates and turnover in key management and operational positions Inadequate organizational structure arrangements and lack of resources commensurate with the complexity and size of the operation	Implement a proactive succession planning process Ensure that vacancies are timely filled and increase headquarters and regional office support to country offices impacted by prolonged vacancies and high turnover rates Enhance staff capacity-building and training in key compliance, control and operational matters Implement a more rigorous risk assessment process to ensure that country offices have the organizational structure and the resources required for effective programme delivery

Significant recurrent evaluation issues for country offices

Audit area/cause	Issue prevalence		Most significant recurrent oversight issues	Recommendations to address the issues
	2009	2010		
			Relationship risk	
Programme: unreliable identification of events impairing achievements	Very common	Very common	Lack of evidence-based programming notably in the field of sexual and reproductive health where there is a noticeable lack of focus on interventions capable of efficiently and effectively contributing to the reduction of maternal mortality	In consultation with relevant regional offices and headquarters, undertake a critical appraisal of sexual and reproductive health programming so that resources can be concentrated on those interventions having the greatest effects on improving maternal mortality
			Training activities are not sufficiently underpinned by a comprehensive human resource development strategy and therefore fail to build, in an optimal and sustainable manner, the capacity of national counterparts' capacity and UNFPA country offices	Training activities should be designed and implemented within the partner institutions' broader human resources strategic plans so as to build capacity of national partners and UNFPA country offices in a sustainable manner
	Common	Common	Mainstreaming of gender equality within population and development as well as sexual and reproductive health components has not been institutionalized leading to a loss of synergies between the three mandate areas of UNFPA	Identify internal mechanisms in view of institutionalizing gender mainstreaming within the cycle of operations in order to ensure staff ownership over a process guided by programme officers
			Reproductive health commodity security (RHCS) is not sufficiently addressed within a broader approach of the national health systems	Support the development of an RHCS strategy which includes forecasting, procurement, logistics, storage, distribution/delivery, quality assurance, roles of government and private sector

Audit area/cause	Issue prevalence		Most significant recurrent oversight issues	Recommendations to address the issues
	2009	2010		
Programme: lack of clarity in organizational objectives	Common	Common	Insufficient focus on generating realistic expected results and targets due to a lack of fit between country offices' limited resources/capacities and ambitious portfolios	Complete cost-effectiveness exercise to prioritize and guide selection of activities including geographical coverage (and related operating costs)
	Very common	Very common	UNFPA interventions in the field of population and development (and notably implementation of censuses) are not adequately recorded within the United Nations Development Assistance Framework (UNDAF), creating risks in terms of securing: (a) financial resources; and (b) UNFPA visibility at United Nations country team (UNCT) level	Ensure highest visibility of all UNFPA activities, related participation in the UNDAF thematic areas, and UNCT support to the country offices' work in the field of population and development. In particular, UNFPA role in the area of census must be clearly inserted within the UNDAF results and resources matrix
Process risk				
Poor programme planning, implementation and monitoring	Very common	Very common	The monitoring and evaluation system is too weak to sustain results-oriented monitoring activities. As a result, monitoring and evaluation findings and recommendations are given insufficient consideration in the programme design and operations cycle	Formalize the role/function of monitoring and evaluation within the cycle of operations and promote monitoring and evaluation as the responsibility of all staff (i.e., staff ownership over a process guided by a monitoring and evaluation officer)
Inadequate results-based management and poor quality evaluations	Very common	Very common	Lack of evaluation culture leading to insufficient and irregular evaluation activities (midterm reviews are often not performed; end-of-programme evaluations are also not undertaken in a systematic manner). Overall, there is no reasoned approach to ensure that evaluation can help capture lessons learned and produce evidence for future programming	Ensure that sufficient resources, as well as adequate tools and methodological apparatus are dedicated to evaluations

ANNEX 4: ANNUAL REPORT OF THE AUDIT ADVISORY COMMITTEE

United Nations Population Fund
Audit Advisory Committee
2010 Annual Report to the Executive Director

Purpose

1. Pursuant to item 14 of its terms of reference (TOR), and in accordance with paragraph 14 C
section IV, subsection F of the UNFPA oversight policy, this report to the UNFPA Executive Direc
provides a summary of the activities and strategic advice of the Audit Advisory Committee (AAC) of t
United Nations Population Fund during 2010.

Audit Advisory Committee activities in 2010

2. AAC TOR: The Executive Director approved a revised TOR for the AAC in December 20
While revisions were principally administrative in nature, it should be noted that item 15 now states: "T
Chairperson of the AAC has free and unrestricted access to the President of the Executive Board."

3. Committee members: During 2010, the AAC was composed of four members, all external
UNFPA, and therefore independent from UNFPA and its administration and management. Commit
members possess the required expertise in risk management and control, financial management a
reporting, and development and programme matters. In November 2010, a fifth member was approv
effective January 1, 2011. Further, as of December 31, 2010, one Committee member, whose three-y
term had ended, rotated off the Committee. The AAC has an ongoing rotation and recruitment process
ensure that membership is staggered to provide continuity. It is anticipated that a fifth member will
identified in mid-2011.

4. Meetings: The AAC held five official meetings in 2010, four in-person meetings (in Februa
April, June and November) and one teleconference in July 2010. UNFPA participants in the meetin
included the Executive Director, the two Deputy Executive Directors, programme and operational sen
management, as relevant, the Director of the Division for Oversight Services (DOS), and the exter
auditors. As required, the AAC met without management present and had separate in-camera meetin
with the Executive Director, the Director of DOS, the Ethics Officer and the external auditors. The Ch
of the UNFPA AAC also participated in the UNDP/UNFPA Executive Board annual session 2010 held
Geneva. In addition to the formal AAC meetings, Committee members continued their inter
consultations and deliberations, document review, and provision of advice to UNFPA management
telephone and e-mail interaction.

5. Reporting: Minutes from the AAC meetings were prepared. In accordance with item 13 of t
AAC TOR, the Committee formally reported back to the Executive Director after each meeting. T
Committee or Chair briefed the Executive Director either in person or by telephone.

6. Assessment of the Committee's effectiveness: The Committee undertakes an annual se
assessment exercise to confirm the appropriateness of its TOR and assess its effectiveness. T
Committee also makes recommendations, as necessary, during each meeting and follows up periodica
on the implementation of those recommendations by UNFPA management.

7. Performance assessment of the Director of DOS: In accordance with item 16 of its TOR, the AAC (via its Chair) provided written input on the performance of the Director of DOS to the UNFPA performance appraisal and development system. Also, in view of the forthcoming retirement of the Director of DOS and in accordance with the TOR, the AAC will "participate in, review and advise on the selection of the Director of DOS" in 2011.

8. Field visits: To augment the Committee's understanding of the UNFPA mission and restructuring efforts, all AAC members regularly participate in field visits to strengthen their knowledge of UNFPA operations. While no field visits were conducted in 2010, the following field visits were undertaken in 2009: regional offices in Panama, South Africa and Thailand; and country offices in Morocco, Nepal, Peru and Sri Lanka. In total, Committee members devoted over 22 person days to on-site activities in regional and country offices in 2009. In June 2010, the AAC provided a summary report to the Executive Director highlighting common themes and issues noted during the 2009 field visits and made some suggestions for consideration by UNFPA management. With the concurrence of the UNFPA Executive Director, AAC members elected to visit both regional and selected country offices in 2011.

9. External auditor coordination and communication: The AAC meets regularly with the UNFPA external auditor, the United Nations Board of Auditors, to share relevant information and understand strategies implemented to ensure overall audit coverage of UNFPA, which includes the work performed by DOS. The Committee had substantive discussions with representatives of the Board of Auditors at each of its in-person meetings.

Audit Advisory Committee strategic advice in 2010

10. Issues of concern identified by the AAC, along with the strategic advice provided to the Executive Director and UNFPA senior management in 2010, are summarized below. The AAC thanks UNFPA management for its receptivity to the Committee's advice and the Fund's actions to address the issues. However, it is important to note that several of the issues identified below were also included in the 2008 and 2009 AAC Reports.

11. In 2008, the AAC noted that UNFPA was experiencing an internal multilayered transformation. This transformation continues. During 2009 and 2010, UNFPA made substantial progress in implementing a new organizational structure while ensuring that the restructuring supported United Nations reform. However, UNFPA continues to face significant human resource, administrative and operational challenges. In addition to the reorganization, UNFPA is undergoing modifications to its enterprise resource planning system (Atlas), its financial policies and practices to support implementation of the International Public Sector Accounting Standards (IPSASs), development of an enterprise risk-management (ERM) strategy and internal control frameworks, programming enhancements to address new aid modalities, and changing operational relationships and funding mechanisms with implementing partners and other donor agencies.

12. Through the Fund's regular updates to the Committee during 2009 and 2010, the AAC has noted UNFPA progress in realizing its reorganization, intended in part to support a more field-focused and results-oriented UNFPA. In this respect, the AAC has recommended that UNFPA establish a means to assess whether the intended results of the reorganization are achieved. The AAC has stressed repeatedly the importance of identifying the key performance indicators and explicit success criteria that can be used to measure the impact of the reorganization on UNFPA effectiveness and results. While some internal human resource and administrative challenges have been noted during the reorganization, often

exacerbated by unforeseen external matters such as location choices and physical premises, the AAC supports UNFPA for its continued efforts to responsibly address all such issues.

13. With respect to the reorganization, the AAC understands that, in 2012, UNFPA will conduct an evaluation on the implementation of the reorganization and whether the intended results were achieved. DOS has also planned an audit of governance (headquarters/regional offices) in support of programme delivery in 2011. The latter will review elements of the reorganization. The Committee believes that DOS should continue to play a prominent role with respect to UNFPA restructuring by advising on an ongoing basis whether the overall internal control framework is appropriate and recommending improvements or refinements that could be implemented immediately. The Committee looks forward to reviewing the results of the 2011 performance audit and the 2012 evaluation.

14. The AAC is updated regularly on UNFPA succession and workforce planning as part of the Fund's human resource strategy and business continuity planning. The AAC supports the efforts put in place by UNFPA management to mitigate the risks identified. The AAC noted during its field visits in both 2008 and 2009 that operational staff expressed concerns and requested clarity with regard to roles and responsibilities among headquarters, regional, subregional and country offices. The AAC reiterates the importance of focusing attention on the human resource dimension of change and organizational continuity. This is particularly important in 2011 with the appointment of the new Executive Director on January 1, 2011 and the planned retirement of the Director of DOS.

15. Atlas, the enterprise resource planning system of UNFPA, is administered by UNDP. The AAC regularly discusses the critical services provided by UNDP and its Atlas system functionality. While the system upgrade in early 2009 resulted in a number of improvements, significant performance challenges were also encountered in late 2009. Based on discussions with management, the AAC understands that UNFPA and UNDP have worked collaboratively in 2009 and 2010 to stabilize Atlas and address performance and system issues. This included hardware migration to a new operating platform during 2009 and the transition to a new back-up facility in 2010 which AAC understands has improved capacity and realized cost savings. The AAC stresses the importance of ensuring that proposed future revisions and upgrades to Atlas are planned on a collaborative and timely basis between UNFPA and UNDP, coordinated with other administrative and operational initiatives, and appropriately resourced.

16. As noted above in paragraph 15, UNFPA relies on UNDP as its service provider for Atlas, and both UNFPA and UNDP use Atlas as their enterprise resource planning system. Substantial system changes must be made to prepare Atlas for IPSASs implementation. In decision 2009/15, the Executive Board (at its second regular session held in September 2009) endorsed the decision of UNDP, UNFPA and UNOPS to defer implementation of IPSASs to 1 January 2012. The AAC supports this decision. The AAC recommended in April 2009, and continues to recommend, that all Atlas partners proceed on IPSASs implementation in a synchronized fashion and create a joint IPSASs board with the appropriate level of authority in order to ensure that the implementation continues on schedule with full adoption in 2012 and not later.

17. The AAC understands that UNFPA will continue to effect accounting change enhancements over the interim until full implementation of IPSASs in 2012 to the extent that United Nations System Accounting Standards (UNSAS) allow. In 2009, the AAC recommended that a revised IPSASs implementation plan be prepared that includes a risk analysis and mitigation strategy that addresses both accounting and operational risks and identifies relationships with other UNFPA initiatives such as revisions to Atlas, the internal control framework, and the reorganization. The AAC also emphasized that

a critical success factor facilitating successful implementation of IPSASs adoption is strong leadership by management. Further to a recommendation by the AAC, UNFPA management has initiated regular dialogue with the Board of Auditors concerning IPSASs implementation. In 2010, the ACC again recommended that a revised implementation plan be prepared and updated quarterly. This implementation plan would ideally identify each relevant project, along with specific milestones and dates, and the project leader assigned to each project.

18. In accordance with the AAC TOR, the Committee is expected to "review policies significantly impacting (a) financial management and reporting; (b) the internal audit, investigation and evaluation functions; and (c) the effectiveness of UNFPA systems of internal control and accountability". In 2010, the AAC reviewed and made recommendations on relevant policies. The Committee stressed the importance of being consulted before policies that significantly impact on UNFPA business processes and operations are finalized.

19. Because the ethics function is a key contributor to UNFPA accountability and oversight, the AAC revised its TOR in 2010 to specifically identify "ethics" as an area of AAC focus (Items 3 and 16). The AAC also reviewed the mandate and current structure of the UNFPA Ethics Office along with its 2009 Annual Report. In this respect, the AAC supports the direct reporting relationship of the Ethics Adviser to the Executive Director and encourages the Ethics Adviser to support the management decision-making process, adding ethics dimensions to key strategic decisions or policy formulation. The AAC also encourages the continued strengthening of ethics communication activities along with ethics workshops and training sessions.

20. In accordance with the AAC TOR, in April 2010, the AAC reviewed the draft of the UNFPA financial statements for the biennium ended 31 December 2009. The AAC recommended some revisions to the financial statements and notes thereto to improve the clarity and quality of communication of the financial information for the biennium. At that time, there was an indication by the United Nations Board of Auditors that their report may include a qualification due to their inability to obtain adequate supporting documentation for a significant portion of the programme expenditures incurred through the national execution (NEX) modality. As had been recommended by the AAC in previous years, efforts need to be expended to seek and obtain supporting documents in order to avoid the qualification in the Board of Auditors report. Subsequent to the April 2010 meeting, the Board of Auditors issued a modified audit report with a qualification on the financial statements for the biennium 2008-2009 and an emphasis of matter.

21. The AAC reiterates its recommendation that the UNFPA management continue to collaborate with the United Nations Board of Auditors, as appropriate, on relevant financial matters including the Fund's financial statement reporting to ensure common understanding, particularly on technical issues.

22. In 2007, the AAC supported a DOS recommendation that UNFPA internal control framework be revised to be fully compliant with the International Organization of Supreme Audit Institutions (INTOSAI) standards. The internal control framework principally provides guidance with respect to control and accountability of UNFPA operations particularly at the country level. In 2008, the AAC was updated on periodic revisions to the control framework. In 2009, UNFPA management engaged a consulting firm to review the internal control framework. The AAC reiterates its position from previous years: in view of ongoing changes to UNFPA internal financial and operational policies and practices, and the evolving external environment, additional and ongoing revisions are required to ensure that internal control guidance remains relevant and practical, follows international guidance including that

from INTOSAI, and is fully compliant with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) standards.

23. In accordance with item 16 of its TOR, the AAC regularly reviews "DOS's function, including its charter, scope, plans, activities, resources, staffing and organizational structure".

24. During 2009, and particularly in 2010, the AAC noted a significant improvement in the quality and timeliness of DOS performance, including report issuance. Also during 2010, the Institute of Internal Auditors (IIA) conducted an external quality assessment of DOS. The principal objectives of the quality assessment were to assess the DOS internal audit activity's conformance with the *International Standards for the Professional Practice of Internal Auditing* (Standards), evaluate the internal audit activity's effectiveness in carrying out its mission (as set forth in its charter and expressed in the expectations of UNFPA management), and identify opportunities to enhance its management and work processes, as well as its value to UNFPA. The assessment concluded that the DOS internal audit activity generally conforms to the Standards and the definition of internal auditing. The assessors also noted that the investigation function conforms to the United Nations investigation principles. Recommendations made to improve the effectiveness of the internal audit activity are actively being addressed by DOS. The AAC commends DOS on its performance in this respect.

25. Further to a 2008 recommendation by the AAC, DOS developed a system in 2009 whereby it monitors implementation of the recommendations from internal audits and regularly follows up with clients on the status of implementation. In 2010, DOS conducted a comprehensive semi-annual follow-up review of recommendations to respond to concerns of the Executive Board and the Board of Auditors on pending recommendations. In this way, the results of such follow-up activities help support UNFPA management's accountability by providing objective and independent evidence-based assessments concerning the status of management actions to implement recommendations made as a result of UNFPA oversight activities.

26. The AAC recommended approval in principle of the DOS audit plan 2011 and reviewed the DOS business plan 2011. The AAC noted that DOS has tailored its overall strategy to be more aligned with the needs of UNFPA, taking into consideration the change in senior management in 2011, the change in the reputation risk profile of UNFPA because of the qualified financial statements, the forthcoming change in accounting standards in 2012, and the gradual implementation of enterprise risk management. In this respect, the AAC recognizes the continued efforts of DOS to provide overall assurance and advisory services to UNFPA to support achievement of UNFPA strategic objectives. The AAC also supports DOS representation at meetings and provision of advice relating to key UNFPA business initiatives such as implementation of IPSASs, enterprise risk management, results-based management, national execution, and the harmonized approach to cash transfers to implementing partners (HACT). Through provision of such ongoing advisory services, DOS contributes on a timely basis to more effective controls and/or operational efficiencies.

27. The AAC supports the DOS risk-based annual planning process and the use of the risk model. Further to a recommendation made by the AAC, DOS undertook a risk assessment of headquarters and cross-cutting functions for its 2010 plan in addition to assessing the risk universe of country offices. In 2010, when developing its 2011 business plan, DOS further strengthened its headquarters risk analysis.

28. The AAC also supports DOS efforts to contribute to harmonizing inter-agency audit efforts. DOS led the first inter-agency audit of HACT in Viet Nam and Malawi, undertaken with the participation of members from UNDP and UNICEF, in September 2009 and February 2010.

29. The AAC reviewed the UNFPA biennial report on evaluation (DP/FPA/2010/19). The AAC appreciates the complexity of the environment within which programmes are implemented – considering the context of multiple partnerships and programme country leadership. The AAC supports the conclusion of the report and encourages further attention to improving evidence-based programme design, programmatic focus, and monitoring and evaluation. The AAC understands that improving the quality of evaluations will require an enhanced culture of evaluation and accountability for results within UNFPA.

30. The AAC regularly reviews the activities and results of the UNFPA investigation function and supports the need for additional tools such as a forensic continuous monitoring system and appropriate resources to ensure the function can effectively meet UNFPA needs.

31. The AAC has repeatedly stressed the importance of identifying whether and how DOS resource levels and capacities impact on its ability to implement its charter and provide the level of assurance necessary to support UNFPA strategic objectives. In this respect, ongoing issues with regard to the adequacy of DOS resources and recruitment challenges have been highlighted to the AAC. Many of these were addressed in 2010. The AAC appreciates the challenges of recruiting and retaining suitable candidates for DOS professional positions and how this may impact on the capacity and overall results achieved by DOS. Further, in complex and changing internal and external environments, such as those of UNFPA, a steep learning curve exists for all newly recruited employees. This underscores the importance of a flexible and appropriate staff learning plan that includes professional training to ensure continuous learning opportunities. As such, it is critical that DOS has the capability needed and resources required to ensure that sufficient coverage exists in internal auditing, evaluation and investigation work at UNFPA. This is particularly important during 2011 to assure the continued effectiveness of DOS given the succession of the Director of DOS.

32. The AAC is briefed regularly on UNFPA actions to implement the recommendations made by the United Nations Board of Auditors and supports UNFPA efforts to address the recommendations in a systematic and ongoing manner. In 2008, the AAC suggested and continues to reiterate that, as a best practice, DOS follow up the implementation status of the recommendations of the Board of Auditors. In this way, DOS could add value by supporting UNFPA management in ensuring that the actions taken to address observations are appropriate and complete. In addition, the Board of Auditors might be able to place reliance on the work of DOS and not necessarily perform additional in-depth follow-up work.

33. The NEX modality continues to be an area of high risk. As noted in paragraph 20, for the biennium ended 31 December 2009, the United Nations Board of Auditors issued a modified audit report with a qualification on the financial statements related to national execution. The AAC is briefed regularly on the efforts of UNFPA management and DOS to identify and address the underlying causes and challenges in managing and reporting on NEX. For example, in June 2009, DOS performed an assessment of UNFPA management of 2008 NEX expenditure. The objective was to obtain reasonable assurance that UNFPA resources were managed by implementing partners in accordance with their contractual arrangements with UNFPA and to provide an opinion on the validity and coverage of the assurance provided by independent auditors. The oversight assessment indicated that, for the period covered, DOS could not provide such assurance on a large portion of the 2008 NEX auditable expenditure balance because not all the necessary supporting documentation and records were available, and adequate

internal controls were not in place. In 2010, DOS conducted a similar assessment of the 2009 NEX expenditure. The results obtained in 2009 show a deterioration of the NEX audit performance in comparison to 2008. The issues identified in 2008 and 2009 by DOS and the Board of Auditors have continued into 2010.

34. The AAC understands that UNFPA senior management has designated NEX as one of its highest corporate priorities. The AAC recognizes the challenges that UNFPA faces to ensure appropriate accountability for financial and programme results while working under changing aid modalities, for example, sector-wide approaches and HACT. The AAC understands that NEX is not merely an accounting and reporting challenge but an issue of programme planning, selection of implementation modalities and monitoring, as well as project management and administration. The AAC has noted the actions taken by UNFPA management to address NEX concerns. For example, a new NEX audit management system was developed in 2009 for the NEX audit cycle, and in 2010, capacity development interventions continued to be tailored to meet the local needs of regions and countries, and NEX headquarters operations became an integral part of the Finance Branch. In this respect, the Committee supports the efforts of UNFPA to strengthen management controls and practices at the local and headquarters levels and encourages further initiatives to address the underlying causes of NEX challenges and issues. Additionally, the AAC recommends that UNFPA review the existing NEX-related policies to clarify conditions for applying NEX, direct execution or other operational modalities. In this way, UNFPA could tailor its funding mechanisms to apply the most appropriate implementation modality for a particular country or funding partner and offer the flexibility required to match resources more fully to capacity and needs.

35. To assist in managing for results, the AAC recommended in 2008 that UNFPA management develop and implement a formal integrated enterprise risk-management strategy. In 2009, UNFPA initiated a study to recommend the steps for its development by reviewing risk management-related frameworks currently existing in UNFPA that could support the strategy. In 2010, UNFPA hired an ERM senior adviser. During 2010, the AAC met with the ERM Adviser and reviewed the initial ERM plan. The AAC reiterates the importance of integrating the various risk management-related frameworks currently in existence in UNFPA, and developing the additional systems and processes necessary to support and sustain a comprehensive ERM strategy that would focus on results and identify and address risk exposures throughout the organization and in its external relationships. The AAC reiterates the importance of the UNFPA Executive Committee support for ERM and that additional focus is needed on issues of governance, management and administration, including the role of the Executive Board and the AAC, and relationships with other United Nations agencies.

36. As noted in 2008 and reiterated in 2009, once an integrated ERM strategy is fully developed and implemented in UNFPA, the AAC will be in a position to appreciate more completely UNFPA mitigation strategies including the Fund's risk appetite and residual risks. The AAC will then be able to contribute more directly to the achievement of UNFPA strategic and business objectives by providing extensive overall strategic advice to the Executive Director on organization-wide risk exposures. The AAC looks forward to continuing its dialogue with UNFPA management relating to the integration of mitigation strategies for the specific and discrete issues of concern with those needed for the potential overall and fundamental risks to the organization.

Overall conclusion

37. The AAC has reviewed the report on UNFPA internal audit and oversight activities in 2010 (DP/FPA/2011/5) being submitted to the Executive Board, has taken note of its overall assessment of UNFPA risk exposure and trends, and concurs with its contents. The AAC supports the report's new focus, that is to say, providing recommendations for consideration by the Executive Board to enable UNFPA to deliver on its mandate with enhanced efficiency and effectiveness.

38. The AAC appreciates the substantial progress made by UNFPA over the last several years in an environment marked by many challenges. The AAC expresses support for the Fund's continued nurturing of an accountability culture across the organization along with the strengthening of its assurance processes. The Committee trusts that the strategic advice and recommendations provided to UNFPA management in 2010 would contribute to developing and sustaining the appropriate oversight and accountability framework along with the necessary supporting systems and implementing practices.

ANNEX 5: MANAGEMENT RESPONSE TO THE ANNUAL REPORT OF THE AUDIT ADVISORY COMMITTEE

1. The UNFPA management response to the annual report of the Audit Advisory Committee (AAC) is provided as per decision 2008/37 of the Executive Board. Further information on a number of topics covered in this response can be found in the comprehensive management response to the UNFPA internal and oversight activities in 2010, made available on the UNFPA Executive Board website.

2. UNFPA acknowledges and welcomes the 2010 annual report of the AAC. Throughout 2010, UNFPA continued to benefit from regular consultations with the AAC and would like to express its gratitude to the Chair and members of the Committee: their commitment and guidance have been invaluable in further strengthening UNFPA management practices.

Reorganization (paragraphs 12-13 of the annual report of the Audit Advisory Committee)

3. As part of the Executive Director's annual report, UNFPA regularly reports to the Executive Board on the progress and impact of the reorganization. To this end, the Fund has also identified a set of indicators that capture the quality and support provided by the regional offices to country offices.

4. UNFPA management looks forward to the evaluation of the reorganization implementation which will be conducted by the Division for Oversight Services (DOS) in 2012, as well as to the audit of governance (headquarters/regional offices) in support of programme delivery in 2011. The outcomes of these assessments will be key in driving the Fund's future efforts in strengthening the organizational structure and aligning it with the organization's strategic goals.

Succession and workforce planning (paragraph 14 of the annual report of the Audit Advisory Committee)

5. UNFPA management agrees with the observation of the AAC regarding the importance of focusing attention on the human resource dimension of change and on organizational continuity. In line with the organization's succession planning framework, talent management and workforce planning are a priority, particularly in light of foreseen retirements among senior management. To address concerns related to roles and responsibilities, emphasis is placed on ensuring that new and existing staff members receive comprehensive induction and training.

Enterprise resource planning (paragraph 15 of the annual report of the Audit Advisory Committee)

6. Through the Executive Sponsors Group, the Inter-agency Governance Group and other mechanisms, UNFPA is working very closely with other Atlas partner organizations (UNDP, UNICEF, UNOPS, UN-Women, and the United Nations University) to ensure coordination of Atlas activities in anticipating and resolving any issues that may arise with regard to Atlas, such as quality assurance, availability and management of resources, system performance and upgrades, including those driven by the International Public Sector Accounting Standards (IPSASs) requirements.

International Public Sector Accounting Standards (paragraphs 16-17 of the annual report of the Audit Advisory Committee)

7. Through the United Nations system IPSASs Board, UNFPA is working in close collaboration with other United Nations agencies to ensure IPSASs implementation in 2012.

8. The UNFPA IPSASs implementation plan, which contains risk analysis and suggested mitigating actions, includes activities to ensure necessary changes in accounting policies, business practices and systems to support the transition from United Nations System Accounting Standards (UNSAS) to IPSASs. The original plan was updated to reflect the recommendations made by the United Nations Board of Auditors, DOS and the AAC. The AAC itself acknowledged, at the February 2011 meeting, that the revised detailed workplan indicating milestones, deliverables and business owners responded to the AAC recommendations. A detailed training plan to support the IPSASs implementation strategy is being implemented.

Ethics function (paragraph 19 of the annual report of the Audit Advisory Committee)

9. UNFPA management welcomes the AAC focus on the ethics function, as per the Committee's revised terms of reference. Detailed information on ethics-related activities is contained in the Report of the UNFPA Ethics Office (DP/FPA/2011/6).

Internal control framework (paragraph 22 of the annual report of the Audit Advisory Committee)

10. UNFPA conducted a comprehensive review of its internal control framework (ICF) guided by the internationally recognized Committee of Sponsoring Organizations of the Treadway Commission (COSO) standards for effectiveness of internal controls along six critical business processes. The revised ICF was launched through a user-friendly web application with links to applicable policies and procedures. The strict separation of duties prescribed by the ICF was enforced and the completion of monthly and quarterly financial accountability checklists was made mandatory. Field offices were provided support and additional guidance on the procedures to apply in emergency situations and decentralized offices. Certification in the area of procurement is now mandatory and a certification course on the ICF is being developed.

Division for Oversight Services role and resources (paragraphs 23 to 28, 30 and 31 of the annual report of the Audit Advisory Committee)

11. UNFPA management welcomes the strategy adopted by DOS in 2010. This is tailored to the needs of the organization and supports UNFPA strategic objectives. Management has benefited from the Division's assurance and advisory services, which have now extended from identifying issues to providing practical recommendations to management. UNFPA will further strengthen its efforts to implement the recommendations provided by DOS and encourages the Division's representation at key business practices-related meetings and the provision of advice relating to key UNFPA business initiatives.

12. As demonstrated throughout 2010, UNFPA management is committed to ensure that adequate resources are available to DOS, and will continue to give priority to ensuring that DOS has the necessary capacity to implement its charter and provide the level of assurance necessary to support UNFPA strategic objectives.

Evaluation (paragraph 29 of the annual report of the Audit Advisory Committee)

13. UNFPA management is committed to continuing efforts in improving evidence-based programme design, programmatic focus, and monitoring and evaluation. In line with its evaluation policy, UNFPA is

both strengthening its efforts to enhance a culture of evaluation and improving coverage, quality and use of evaluations to ultimately strengthen programme design and delivery. Efforts are also under way to improve evidence-based programming, and the issue of programme focus will be addressed, inter alia, through the ongoing midterm review of the strategic plan.

Recommendations of the United Nations Board of Auditors (paragraphs 20, 21 and 32 of the annual report of the Audit Advisory Committee)

14. To ensure staff attention and compliance with audit recommendations, UNFPA has incorporated the implementation of the recommendations of the Board of Auditors as indicators for business unit and staff performance, establishing a strong linkage between performance management and accountability, and ensuring that rewards and sanctions are enforced, within the United Nations Staff Regulations and Rules.

15. UNFPA management is reviewing the process adopted to follow up on DOS and the Board of Auditors' recommendations with a view to ensure that follow-up is conducted with a more systematic and strategic approach. As an interim measure, and for the whole of 2011, an audit monitoring committee, chaired by the Executive Director, has been established to closely follow up on both external and internal audit recommendations, escalating issues as needed and ensuring that recommendations are implemented in a timely manner. The Division for Oversight Services is an observer on this Committee.

16. UNFPA engages on a regular basis with the United Nations Board of Auditors to benefit from its continuing guidance on audit-related matters.

National execution (paragraphs 33 and 34 of the annual report of the Audit Advisory Committee)

17. In 2010, UNFPA continued to strengthen efforts to address national execution (NEX)-related issues and made NEX a key priority for the organization. To make its response more focused and effective, UNFPA is guided by the recommendations contained in the Oversight Assessment of the 2009 Nationally Executed Expenditure Audit Process prepared by DOS. Some of the actions include a redrafting of NEX audit terms of reference for the 2010 audit process and contracting of a global audit company to undertake NEX audits not done by supreme audit institutions. This is expected to improve the quality and timeliness of the NEX audit reports prepared in 2011, so that internal and external audit will be able to place reliance on the NEX audit reports and ensure an appropriate audit coverage rate of NEX expenses. The NEX audit process and the information technology application which supports it are under review with the objective of making them simpler and more robust. As suggested in the AAC annual report, in January 2011, the UNFPA Executive Director reminded country offices of the various implementation modalities available and provided direction on the implementation modalities which can be used in certain circumstances.

Enterprise risk management (paragraphs 35-36 of the annual report of the Audit Advisory Committee)

18. The UNFPA Risk Management Adviser is coordinating the assessment of risk profiles at country, regional and headquarters level. A pilot programme will be conducted in 2011 to identify and assess risks, with a view to developing appropriate risk mitigation strategies. Enterprise risk management will leverage to the maximum extent possible existing systems, integrating risk management within policies, procedures and processes.

19. In summary, UNFPA will continue and further strengthen its efforts to implement the recommendations of the Audit Advisory Committee. The UNFPA Executive Director and senior management have made strengthening accountability the number one priority for the organization in 2011 and, with the Committee's continuous guidance, are fully committed to ensure that stated objectives and high-quality results are achieved and UNFPA resources are efficiently used.

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UNFPA – Reports of UNDP, UNFPA and UNOPS Ethics Offices

UNITED NATIONS POPULATION FUND

Report of the Ethics Office 2010

Summary

Pursuant to Executive Board decision 2010/17: Reports of the Ethics Offices of UNDP, UNFPA and UNOPS, paragraph 9, the Ethics Office of UNFPA submits the present report to the Executive Board at its annual session 2011. In accordance with the Secretary-General's bulletin on United Nations system-wide application of ethics: separately administered organs and programmes (ST/SGB/2007/11), the report has been reviewed by the United Nations Ethics Committee at its 27th session on 15 February 2011 and was subsequently provided to the UNFPA Executive Director.

The present report, while focusing on the activities undertaken by the Ethics Office during the period 1 January to 31 December 2010, also describes the progression of the ethics function in UNFPA since the establishment of the Ethics Office in 2008.

Elements of a decision

The Executive Board may wish to take note of the present report and comment on the progress of the work of the Ethics Office.

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I. Introduction

1. The UNFPA Ethics Office was established in January 2008 in response to the Secretary-General's bulletin titled United Nations system-wide application of ethics: separately administered organs and programmes (ST/SGB/2007/11). The Secretary-General's bulletin highlights the purpose of ensuring the consistent application of the highest standards of ethics and integrity within the United Nations including its separately administered funds and programmes and harmonizing the ethical standards and policies across the United Nations system, particularly between the United Nations Secretariat and the funds and programmes.

2. The ultimate goal and principle of the UNFPA Ethics Office is to cultivate and nurture a culture of ethics, integrity and accountability, and thereby enhance trust in, and the credibility of, the United Nations, both internally and externally, as called for in the Secretary-General's bulletin. The UNFPA Ethics Office assists the Executive Director in ensuring that all staff members observe and perform their functions consistent with the highest standards of integrity required by the Charter of the United Nations. Towards this end and in line with the UNFPA management results framework (MRF) that was prepared to support the achievement of the UNFPA strategic plan, 2008-2013, the activities of the Ethics Office are directly linked to MRF output 3 (UNFPA maintains motivated and capable staff), MRF output 5 (ensured leadership of UNFPA and active participation in the United Nations reform), and MRF output 6 (improved accountability for achieving results at all levels).

3. The present report, the third since the establishment of the UNFPA Ethics Office in January 2008, is being submitted to the UNFPA Executive Board at its annual session 2011, pursuant to decision 2010/17. Since this is the first time that the Ethics Office is presenting a report to the Executive Board, the present report, while focusing primarily on the activities undertaken by the Ethics Office during the period 1 January to 31 December 2010, also describes the progression of the ethics function in UNFPA since the establishment of the Ethics Office in 2008. This report was reviewed by the United Nations Ethics Committee (UNEC) at its 27th session on 15 February 2011 and was subsequently provided to the UNFPA Executive Director.

II. Background and general information

4. In accordance with the objectives of its establishment, the specific functions assigned to the UNFPA Ethics Office are as follows:

- Developing standards, training and education on ethics issues.

- Providing guidance to management to ensure that the rules, policies, procedures and practices of the organization reinforce and promote the highest standards of ethics and integrity required by the Charter of the United Nations, other applicable staff rules and regulations, and the standards of conduct for the international civil service.

- Providing advice and guidance on ethics-related issues to UNFPA staff members at their request and in confidence.

- Administering the UNFPA financial disclosure and declaration of interest programme.

- Undertaking the responsibilities assigned to it under the UNFPA policy for the protection of staff against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations.

5. The UNFPA Ethics Office is staffed with an Ethics Adviser and an Ethics Associate. Like other ethics offices in the United Nations system, the UNFPA Ethics Office operates on principles of independence, impartiality and confidentiality, and the Ethics Adviser reports directly to the Executive Director.

6. In 2008, its first year of operations, the focus of the Ethics Office was on establishing the Office and completing two rounds of financial disclosure exercises in respect of the 2006 and 2007 calendar years. In 2009, the focus was on communication to increase staff awareness of the full mandate of the Ethics Office. Through a range of communication modalities, including training, distribution of brochures, and the launch of a dedicated website, the Ethics Office sought to enhance staff knowledge and education on ethical standards and expected ethical behaviour in the workplace and to secure staff "buy-in" for the ethics function. A mandatory online training course, titled "Ethics, Integrity and Anti-Fraud: Setting the Standard for UNFPA", was launched and a series of face-to-face ethics training sessions and briefings were provided to a cross-section of staff members based in the field and at headquarters.

7. In 2010, the Ethics Office maintained the momentum of its communication activities with a specific focus on securing the commitment of supervisors in partnering with the Ethics Office in promoting an ethical culture in UNFPA. The Ethics Office briefed the UNFPA Executive Committee on two occasions on the leadership role that was expected of the Executive Committee in ensuring ethical conduct at UNFPA and leading by example. A face-to-face training module on supervisory accountability for ethics was developed and included in the ethics training sessions that were conducted in conjunction with three regional planning meetings. These sessions focused on the obligations of supervisors to observe the highest standards of personal integrity and to establish work environments in which they and the staff whom they supervised could work together in teams with openness, trust and respect.

8. The advisory and guidance function of the Ethics Office continued to expand in 2010. The number of requests for advice and guidance increased from 35 in 2008, to 102 in 2009,

and to 144 in 2010 (see figure 2). Of the 144 requests for advice and guidance in 2010, 63 per cent related to a variety of conflict of interest situations. Providing staff with advice on how to manage actual, potential and perceived conflicts of interest is one of the most important risk-prevention functions of the Ethics Office. It would appear that a key consequence of sustained ethics training and learning is the continuing expansion of the advisory and guidance function of the Ethics Office. At the same time, the types of requests for advice and guidance serve as a basis for designing new training initiatives, which in turn reinforce the preventive function of the Ethics Office.

9. The other critical risk-management function of the Ethics Office is ensuring compliance with the requirements of the financial disclosure programme. Active collaboration with UNFPA Representatives and heads of offices/units in the implementation of the 2010 financial disclosure exercise resulted in 100 per cent compliance being reached by the end of April 2010 by those staff members who were required to file disclosure statements in respect of the 2009 calendar year. UNFPA Representatives and heads of offices/units were engaged in identifying those staff members from their respective offices who were required to file disclosure statements in accordance with the financial disclosure policy and monitoring compliance with submission deadlines with regard to themselves and the staff members whom they supervised.

10. The work and functions of the UNFPA Ethics Office have been reviewed by the Joint Inspection Unit in the context of its report titled Ethics in the United Nations system (JIU/REP/2010/3). UNFPA response to this report is included in the UNFPA report on the recommendations of the Joint Inspection Unit in 2010 (DP/FPA/2011/3 (Part II)).

III. Activities of the Ethics Office

A. Standard-setting and policy support

11. A key function of the UNFPA Ethics Office is to provide guidance to management in the development and adherence of ethical standards in organizational policies and procedures in order to ensure organizational accountability for both financial and human resources management. During 2009 and 2010, the Ethics Office worked closely with the Division for Human Resources (DHR), the Division for Oversight Services (DOS) and the Division for Management Services (DMS) in the review of policies and procedures which related to staff conduct and individual and organizational accountability. Two policies – the policy on "Outside Activities and/or Honours, Decorations, Favours, Gifts, Awards, Remuneration from Outside Parties" and the "Financial Disclosure and Declaration of Interest" policy – were updated by the Ethics Office in consultation with DHR, DOS and DMS.

12. The policy on "Outside Activities and/or Honours, Decorations, Favours, Gifts, Awards, Remuneration from Outside Parties" (which was issued prior to the establishment of the Ethics Office) was updated to reflect the advisory role of the Ethics Office in

providing guidance on potential conflicts of interest situations. Included in the updated policy is a form (adapted from UNDP) that has to be completed in relation to each request for prior authorization from the Director, DHR, for participation in an outside activity and/or receipt of an honour, decoration, favour, gift, award, remuneration from an outside party. The new procedures provide for the Ethics Office to vet for conflict of interest and to consult with any other substantive office, including the supervisor of the staff member, prior to approval by the Director, DHR. The introduction of the form has facilitated the receipt of comprehensive information on the type of request at the outset, enabling speedy review by the Ethics Office and minimizing the need to repeatedly revert to the requester for additional information and clarification, as was the case before. The updated policy was approved by the UNFPA Executive Committee in 2010.

13. The UNFPA policy on "Financial Disclosure and Declaration of Interest" was also updated by the Ethics Office and approved by the Executive Committee in 2010. The updated policy includes additional categories of staff who will be required to file statements and sets out a process (i.e., collaboration between the Ethics Office, DHR, heads of offices and UNFPA Representatives in preparing an annual database of staff members who are required to file disclosure statements for the previous calendar year) to facilitate compliance with the requirements of the policy. It should be noted that the refinement of the nature and scope of an organization's financial disclosure programme is an ongoing process. Throughout 2010, the United Nations Ethics Committee had extensive discussions on the experiences of its member organizations in implementing their respective financial disclosure programmes. Changes in organizational structure and functional responsibilities of staff as well as improved methodologies to identify, prevent and manage conflicts of interest will require regular review of the financial disclosure programme in order to ensure that it is a robust instrument for risk management.

14. The United Nations Ethics Office "protection intake" form which guides staff in providing relevant information to support their complaints of retaliation was adopted to assist staff members who wished to invoke the provisions of the UNFPA policy on "Protection against Retaliation for Reporting Misconduct or for Cooperating with an Authorized Fact-Finding Activity". The policy itself is being revised to reflect the incorporation of the key components of an effective protection policy as agreed to by the membership of UNEC during its 2010 review of the protection policies of its membership.

B. Training, education and outreach

15. The purpose of the training, education and outreach function is to reinforce the core values and principles of the United Nations, to encourage staff to assume individual and collective responsibility to adopt ethical practices and demonstrate ethical behaviour, and to increase knowledge of and compliance with UNFPA-specific ethics-related policies. In carrying out this function, the Ethics Office worked in close collaboration with all units at UNFPA. Collaboration with the Learning and Career Management Branch (LCMB), DHR, has ensured that ethics training is integrated into all learning initiatives and training events

managed by LCMB. Collaboration with the UNFPA regional offices has resulted in the inclusion of face-to-face ethics training in regional planning meetings and subregional cluster meetings.

Mandatory online training on "Ethics, Integrity and Anti-Fraud: Setting the Standard for UNFPA"

16. The online mandatory course on "Ethics, Integrity and Anti-Fraud: Setting the Standard for UNFPA" (English version) was launched by the Executive Director at the beginning of 2009. The Spanish and French versions of the course became available later in the year. The course was a joint initiative of the LCMB, DOS and the Ethics Office. Through scenarios, tests and quizzes, those taking the course are introduced to the Charter of the United Nations, the core values and principles of the United Nations, and the various ethics-related policies and procedures of UNFPA. By 2010 end, 1,288 staff members had taken this course. When the course was launched, heads of offices and UNFPA Representatives were instructed to include the course in their respective annual office workplans and monitor compliance of their staff. Beginning in 2011, the course will be included in the list of the mandatory courses in the UNFPA performance appraisal and development (PAD) system and supervisors will be expected to formally record compliance by their supervisees at their respective year-end reviews.

Introductory ethics training

17. In 2009, the Ethics Office designed an introductory face-to-face ethics training course that focused on increasing staff awareness of ethical standards and expected behaviours in accordance with the core values and principles of the United Nations and the Standards of conduct for the international civil service. Participants work on case studies that relate to a range of ethics-related situations that they could face in their daily work. The course also serves as a platform to explain the objectives and requirements of the financial disclosure policy and the application of the provisions of the protection against retaliation policy. The course was delivered in conjunction with the 2009 round of UNFPA regional planning meetings that were held in Johannesburg, Bangkok, Bratislava, Panama City and Cairo, respectively, and included in training events held in Jamaica (for staff in the Caribbean subregional office) and at headquarters. Approximately 420 field-based staff members, including UNFPA Representatives, Deputy Representatives, Assistant Representatives, Operations Managers, Technical Advisers and Junior Professional Officers, 130 headquarters-based staff members, and all members of the UNFPA Executive Committee attended this course in 2009. The course is now an integral part of all induction training programmes organized by the LCMB. In 2010, a total of 65 field staff members who attended the National Programme Officer/Junior Professional Officer Induction Training Course and training events hosted by the UNFPA regional offices in Bangkok and Cairo participated in the ethics training.

Supervisory accountability for ethics

18. In 2010, the Ethics Office developed a training module on supervisory accountability for ethics that focused on the responsibilities of supervisors to "walk the talk" in relation to ethical behaviour. The module identifies the various factors that have an impact on ethical behaviour in an organization, the role of supervisors in addressing these factors, and their obligation to ensure that they themselves and those whom they supervise apply the highest standards of integrity in their daily work. As in the case of the introductory training on ethics, the module on supervisory accountability for ethics also adopts a case-study approach to training, allowing participants to brainstorm among themselves on actions that they themselves or their supervisees should take when faced with any type of conflict of interest situation that could have an impact on their independence and impartiality. The training also draws attention to behaviours and working styles that could lead to perceptions of abuse of authority, discrimination and harassment, and reinforces the obligations of supervisors to demonstrate behaviours that are fair, non-discriminatory and non-retaliatory in relation to their staff. The use of case studies enables participants to surface the various ethics-related situations and ethical dilemmas that they face in their daily work and to discuss in the non-judgemental environment of an ethics training session, how they actually responded when faced with these situations/dilemmas, whether their responses were in accordance with the standards of conduct, and if not, why.

19. Approximately 225 staff members from the field, including UNFPA Representatives, Deputy Representatives, Assistant Representatives, and senior staff from regional and subregional offices attended one of the training sessions on supervisory accountability for ethics that were conducted in 2010 in conjunction with the regional planning meetings that were held in Bangkok, Johannesburg and Panama, respectively. It should be noted that almost all of those who attended one of these sessions had also participated in one of the introductory ethics training sessions that were conducted at the 2009 regional planning meetings. As such, their participation in one of the 2010 sessions served as refresher training on ethics. With specific reference to the UNFPA Representatives and Directors of regional/subregional offices who were present, it was also an opportunity to secure their commitment to set aside dedicated time for ethics learning and leading discussions on ethics in their respective duty stations.

Ethics information and briefing sessions

20. In line with the focus on the role and responsibilities of supervisors in ensuring an ethical environment in their respective offices, the Ethics Adviser briefed the Executive Committee on two occasions. At the Executive Committee meeting in January 2010, the Ethics Adviser briefed the Committee on the subject of "ethics and the tone at the top" and the ethical leadership role expected of senior management. The briefing also served to identify ways in which the Committee could support the work of the Ethics Office, particularly its training, education and outreach function. At the Executive Committee meeting in November 2010, the Ethics Adviser reinforced the leadership role of the

Committee in securing staff "buy-in" for ethical behaviour. The importance of leading by example and having continuous and direct engagement with staff to discuss ethics-related issues and concerns, and taking immediate and corrective action when required was emphasized.

21. As a consequence of the collaboration between the Ethics Office and the regional offices, all newly appointed UNFPA Representatives and Deputy Representatives who came to the UNFPA headquarters for briefings in 2010 also met with the Ethics Office. These individual meetings provided the opportunity for the Ethics Adviser to inform the new appointees of the functions of the Ethics Office, the mandatory online course on ethics that they were required to take, the objectives of the financial disclosure programme including compliance requirements and initial disclosure, and the various ethics-related policies that were in place.

22. The Ethics Office also participated in a panel discussion on accountability at the divisional staff retreat of the Information and External Relations Division held in December 2010. This was an opportunity to reinforce the role of ethics in promoting organizational accountability; describe the various types of conflict of interest situations that staff can face and how these should be managed; and discuss the norms and behaviours that contribute towards creating an ethical environment in the workplace. The Ethics Office will continue to work with other headquarters units in ensuring that ethics is periodically included as an agenda item in their staff meetings.

23. The Ethics Office is of the view that continuous ethics education throughout a staff member's career is critical for nurturing a culture of ethics within the organization. For this purpose, in addition to the range of formal ethics training and learning modalities such as mandatory online training, learning packages and structured workshops made available to staff at regular intervals, there should be frequent supervisor-led discussions on ethics. The ethics awareness being imparted by these modalities contributes to keeping staff and management motivated to maintain the highest standards of integrity in their day-to-day work. In 2010, a total of approximately 375 staff members attended either a training or briefing session on ethics conducted by the Ethics Office. Furthermore, based on feedback received by the Ethics Office, several UNFPA Representatives led ethics discussions and/or conducted ethics training for their respective staff in 2010 (see also paragraph 19 above).

Ethics Office website

24. The Ethics Office website continues to be a key communication tool to keep staff actively aware of ethics-related issues. The website provides easy access to all ethics-related guidelines; policies and procedures; the mandatory online course in ethics (English, French and Spanish versions); and ethics training presentations/materials. The website also includes quizzes and scenarios of various ethics-related situations that staff can be faced with in their daily work together with guidance on appropriate responses. To draw the

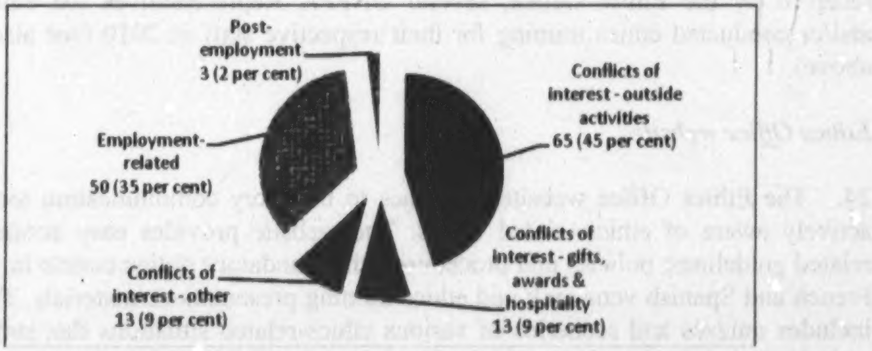
attention of staff to work on these scenarios, the home page of the website has a dedicated section on workplace conduct that is updated regularly and captioned "what is the right thing to do?" The outside activity and/or receipt of an honour, decoration, favour, gift, award, remuneration from an outside party request form and the protection against retaliation request form are also posted on the home page of the website. The website has served as a useful resource for UNFPA Representatives who have conducted ethics briefing sessions for their staff.

C. Advice and guidance

25. The Ethics Office has provided a secure environment for staff to seek advice and guidance in confidence. It has served as a resource in identifying ethical dilemmas and providing resolutions, identifying and managing actual, potential and perceived conflicts of interest and providing clarification on expected behaviours in accordance with the values and principles of the United Nations. While the nature of the inquiry determines the time taken for the response, the average response time of the Ethics Office is 72 hours.

26. In 2010, the Ethics Office responded to 144 individual inquiries for advice and guidance on a range of ethics-related issues. Figure 1 provides a breakdown of the types of ethics-related inquiries in 2010. Figure 2 provides a comparison between the volume and type of requests received in 2008, 2009 and 2010. As reflected in figure 1, out of a total of 144 inquiries, 91 inquiries were on conflicts of interest issues - 65 of these inquiries (i.e., 45 per cent) related to participation in outside activities (such as board membership in not-for-profit organizations, publishing articles, teaching assignments, etc.), 13 inquiries (9 per cent) concerned the receipt of gifts, awards and hospitality, and 13 inquiries (9 per cent) pertained to other potential conflicts of interest situations. The Ethics Office is of the view that this increase -- from 13 inquiries in 2008 to 66 in 2009, and 91 inquiries in 2010 -- is an indicator of the heightened sense of awareness of conflict of interest issues and concerns among staff since the establishment of the Ethics Office.

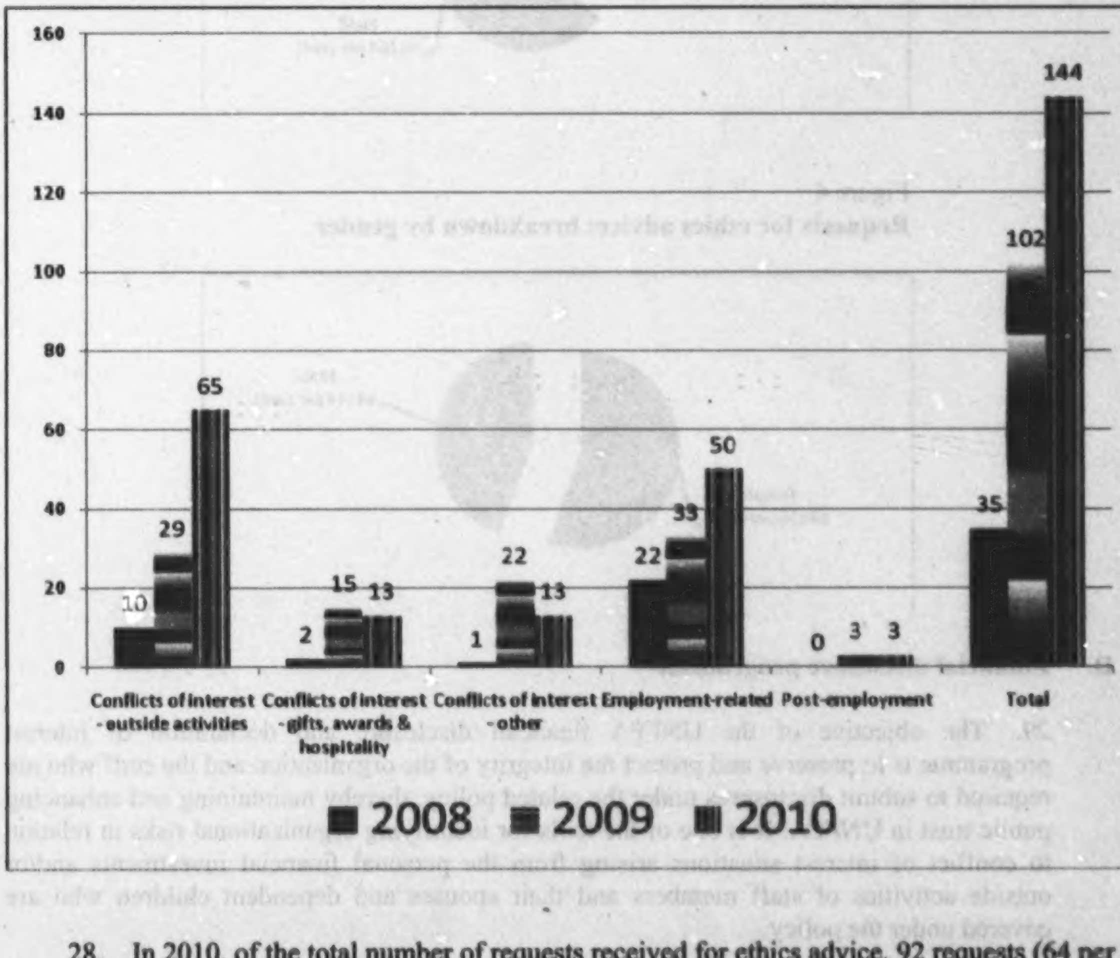
Figure 1
Requests for ethics advice by issue in 2010



27. Employment-related issues which constituted 35 per cent of the total number of requests for advice and guidance in 2010 ranged from clarification on the provisions of the UNFPA policy on "Harassment, Sexual Harassment and Abuse of Authority" and its application; norms of ethical behaviour in interpersonal relations, particularly in the supervisor/supervisee context; career-related concerns; and performance appraisal issues. It is to be noted that in these types of situations, while the Ethics Office does not replace existing mechanisms for reporting misconduct or resolving grievances, the Ethics Office can assist staff in providing information on relevant policies and procedures and other entities within UNFPA and the United Nations system in order to assist staff to decide on the entity best suited to address their concerns.

Figure 2

Requests for ethics advice: comparison of 2008, 2009 and 2010 data



28. In 2010, of the total number of requests received for ethics advice, 92 requests (64 per cent) were from field staff members and 52 requests (36 per cent) were from headquarters

staff members, including senior management (see figure 3). Furthermore, 80 inquiries (56 per cent) were from female staff members and 64 inquiries (44 per cent) were from male staff members (see figure 4). Regarding the mode of contact with the Ethics Office, 11 inquiries were by telephone, 16 were in-person and 117 were via e-mail.

Figure 3
Requests for ethics advice: breakdown by location

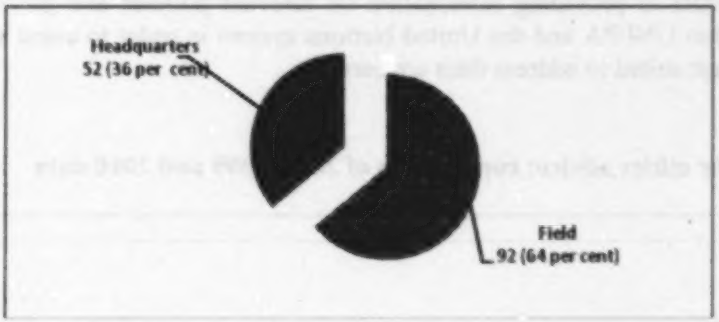
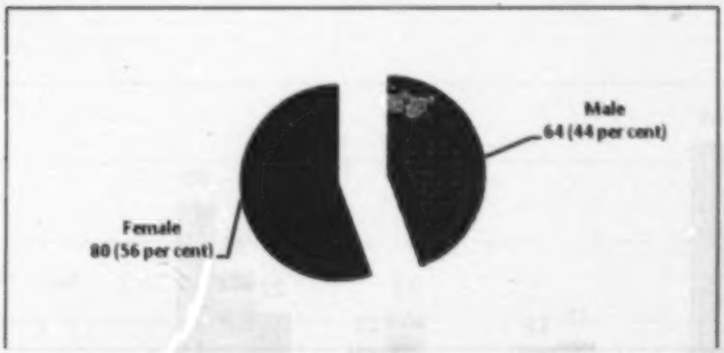


Figure 4
Requests for ethics advice: breakdown by gender



D. Financial disclosure programme

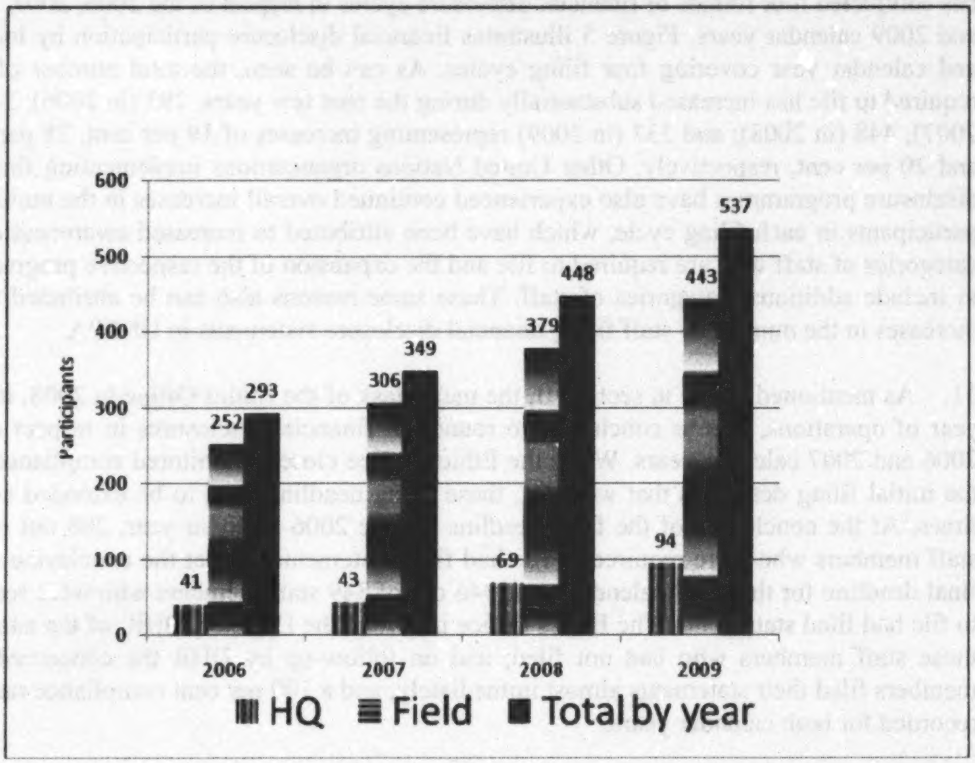
29. The objective of the UNFPA financial disclosure and declaration of interest programme is to preserve and protect the integrity of the organization and the staff who are required to submit disclosures under the related policy, thereby maintaining and enhancing public trust in UNFPA. It is one of the tools for identifying organizational risks in relation to conflict of interest situations arising from the personal financial investments and/or outside activities of staff members and their spouses and dependent children who are covered under the policy.

30. The financial disclosure form is available through a secure UNFPA Intranet reporting facility and all statements are filed electronically. Since its establishment, the Ethics Office has completed four rounds of financial disclosure cycles in respect of the 2006, 2007, 2008, and 2009 calendar years. Figure 5 illustrates financial disclosure participation by location and calendar year covering four filing cycles. As can be seen, the total number of staff required to file has increased substantially during the past few years: 293 (in 2006); 349 (in 2007); 448 (in 2008); and 537 (in 2009) representing increases of 19 per cent, 28 per cent, and 20 per cent, respectively. Other United Nations organizations implementing financial disclosure programmes have also experienced continued overall increases in the number of participants in each filing cycle, which have been attributed to increased awareness of the categories of staff who are required to file and the expansion of the respective programmes to include additional categories of staff. These same reasons also can be attributed to the increases in the number of staff filing financial disclosure statements in UNFPA.

31. As mentioned above in section II, the major task of the Ethics Office in 2008, its first year of operations, was to conclude two rounds of financial disclosures in respect of the 2006 and 2007 calendar years. While the Ethics Office closely monitored compliance with the initial filing deadlines that were set, these filing deadlines had to be extended several times. At the conclusion of the final deadline for the 2006 calendar year, 288 out of 293 staff members who were required to file had filed statements; and at the conclusion of the final deadline for the 2007 calendar year, 346 out of 349 staff members who were required to file had filed statements. The Ethics Office informed the Director, DHR, of the names of those staff members who had not filed; and on follow-up by DHR the concerned staff members filed their statements almost immediately, and a 100 per cent compliance rate was recorded for both calendar years.

32. The Ethics Office is of the view that increased awareness of the purpose of the financial disclosure policy, and collaboration with UNFPA heads of offices and representatives in the identification and follow-up with those who are required to file had a strong impact on the timely submission of financial disclosure statements in respect of the 2009 and 2010 filing cycles. Despite the increases in the filing populations during these two cycles, all those who were required to file for the 2008 calendar year did so by the end of June 2009, and all those who were required to file for the 2009 calendar year did so by the end of April 2010.

Figure 5
Financial disclosure participation by location and calendar year, 2006-2009



33. **All financial disclosure statements are reviewed for completeness of information and for the identification of any organizational risk (financial or otherwise) which could give rise to an actual, perceived or potential conflict of interest situation. Where required, concerned staff members are contacted for additional information and/or alerted to a conflict of interest situation, and advised on its resolution. The resolutions offered to a staff member in these instances could include making a formal request and securing authorization for participation in an outside activity, resignation from a particular outside activity, divestment of holdings and/or the staff member recusing himself/herself from specified official responsibilities.**

Financial disclosure exercise 2010

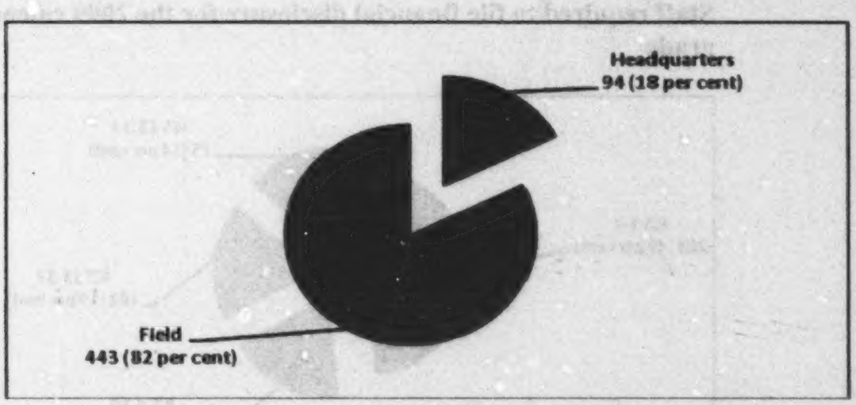
34. **A total of 537 staff members were required to file financial disclosure statements for the 2009 calendar year (compared to 448 in respect of the 2008 calendar year) and there was 100 per cent compliance. The 20 per cent increase in number in the 2010 filing cycle can be specifically attributed to the inclusion of additional categories of staff with fiduciary**

and procurement responsibilities, particularly the increased number of Operations Managers recruited at regional/subregional/country office levels, and the inclusion of Assistant Representatives serving in duty stations covered by a UNFPA Country Director or a regional/subregional office Director. Almost 80 per cent of the statements were submitted to the Ethics Office prior to the 31 March 2010 deadline and the remaining were received by 30 April 2010.

35. As can be seen from figure 6, the majority of staff required to file disclosures are field-based. The total number of 443 staff members from the field (82 per cent), include regional and subregional Directors and Deputy Directors; UNFPA Representatives, Deputy Representatives, and Assistant Representatives serving in duty stations covered by non-resident UNFPA Country Directors; and Operations Managers/Specialists and Finance/Administrative Assistants serving in regional/subregional/country offices.

Figure 6

Total staff required to file financial disclosure for the 2009 calendar year by location



36. Figure 7 presents the breakdown by location of field staff members who are required to file financial disclosure statements. Figure 8 presents the breakdown by International Civil Service (ICS) grade for the 2010 filing cycle as follows: 261 staff members (49 per cent) in the ICS grades 1 to 7; 99 staff members (18 per cent) in the ICS grades 8 to 10; 102 staff members (19 per cent) in the ICS grades 11 to 12; and 75 staff members (14 per cent) in the ICS grades 13 to 14.

Figure 7

Field staff members required to file financial disclosure for the 2009 calendar year by location

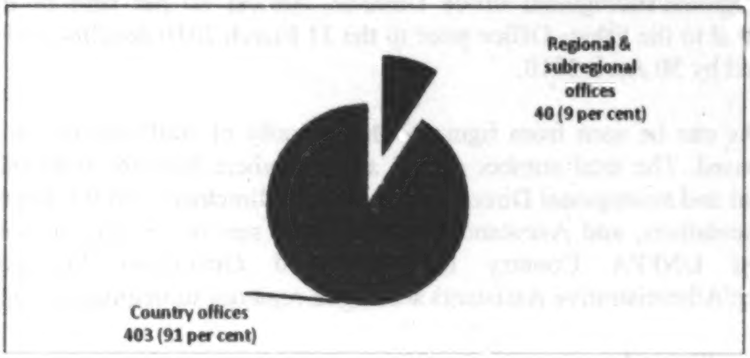
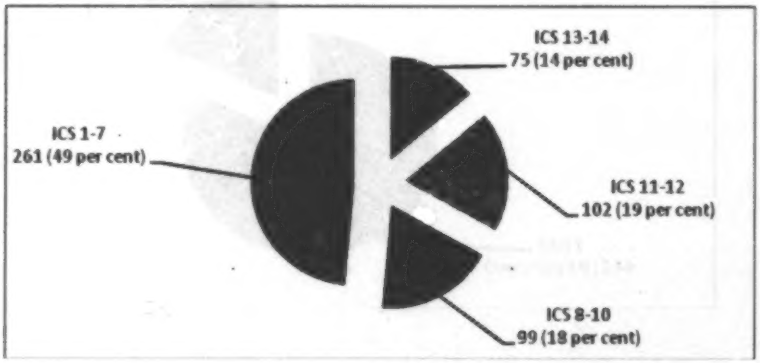


Figure 8

Staff required to file financial disclosure for the 2009 calendar year by grade



E. Protection against retaliation

37. A key function of the Ethics Office is to carry out the responsibilities assigned to it in the protection against retaliation policy in respect of staff who seek protection against retaliation for having engaged in a "protected activity", which is defined as reporting, in good faith, a misconduct or participating in a duly authorized fact-finding activity such as audit, evaluation, investigation, inspection or management review. The policy is intended to preserve the public trust in the organization; to reinforce UNFPA commitment to address misconduct; and to empower staff to speak up against acts of misconduct.

38. When the Ethics Office receives a complaint of retaliation pursuant to the policy, it makes an initial assessment that can lead to a determination that the situation warrants preliminary review or is outside the mandate of the Office, and in the case of the latter the complainant is provided with appropriate advice/referral. If after preliminary review the Ethics Office determines that there is a *prima facie* case of retaliation then the matter is referred to DOS for investigation and the burden of proof shifts to the organization, requiring management to show that it would have taken the same action against the complainant, absent the protected activity.

39. In 2010, the Ethics Office received three requests for protection against retaliation. Of the three, one was outside the mandate of the Ethics Office and the complainant was advised to refer the matter to the appropriate unit. The other two cases related to detrimental actions being recommended against the complainants and in these two instances the Ethics Office made recommendations to the appropriate office for action to be taken to avoid implementation of the detrimental actions. The recommendations of the Ethics Office were accepted and retaliation was prevented in both cases.

IV. United Nations Ethics Committee and Ethics Network

40. The UNFPA Ethics Office actively participated in all eight United Nations Ethics Committee meetings and the two Ethics Network meetings that were held in 2010. UNEC continues to be an excellent forum for the sharing of experiences and learning. Whether it be identifying core ethical standards and concepts for inclusion in organization-specific ethics training, participating in discussions and initiatives to ensure ethics policy harmonization, or brainstorming on the complex issues associated with the receipt and reporting of gifts, the engagement with the Committee has been very useful. Full information on the work of the UNEC and the Ethics Network is provided in the Report of the Secretary-General on the Activities of the Ethics Office (A/65/343) presented at the sixty-fifth session of the General Assembly.

V. Conclusion

41. Based on the feedback received by the Ethics Office, face-to-face ethics workshops, using the case-study approach appears to be the most effective methodology to impart ethics training. Incorporating face-to-face ethics training sessions in training events and meetings organized by the LCMB and other organizational units at the regional and headquarters levels is cost effective, ensures wide participation and institutionalizes ethics training. The Ethics Office has used these events and meetings as opportunities to conduct training sessions and will continue to do so. At the same time, in order to promote continuous ethics education, the Ethics Office will work closely with all heads of offices in supporting their initiatives to ensure that ethics and ethical behaviour is an integral part of the work environments of their respective offices.

42. **The Ethics Office has provided a safe and secure environment for staff to discuss ethics-related issues in confidence. The increase in the number of requests for advice and guidance is a positive indicator of the willingness on the part of staff to surface and discuss ethics-related concerns and issues. The increase in the number of inquiries, particularly in the category of conflicts of interest, reflects the heightened sense of awareness among staff "to do the right thing" and to ensure that their actions do not compromise the organization in any way. The provision of advice and guidance is a critical risk-management function of the Ethics Office and the Office will continue to build on its communication activities to reinforce its preventive role in managing organizational risk.**

43. **As mentioned at the outset of this report, the activities of the Ethics Office are linked to and are in consonance with the objectives of the management results framework of the UNFPA strategic plan, 2008-2013. Through the implementation of these activities, the Ethics Office has endeavoured to increase staff awareness of ethical behaviour and to motivate staff and management to observe the highest standards of ethical conduct. Moving forward, the Ethics Office will strengthen its efforts to institutionalize ethics within the organization so that it is fully integrated in organizational initiatives to ensure accountability.**